

14 April 2015

MS. JANET A. ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange
Disclosure Department
Listing & Disclosure Group
3rd Floor Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Dear Ms. Encarnacion:

We are pleased to furnish your good office with a copy of our SEC Form 17 – A
Annual Report (pursuant to section 20 of the Securities Regulation Code) filed with
the Securities and Exchange Commission (SEC).

For your information and guidance.

Very truly yours,



ALEXANDER C. ESCUCHA
Senior Vice President &
Corporate Information Officer



8745 Paseo de Roxas cor. Villar St., 1226 Makati City

SEC Registration Number

C H I N A B A N K I N G C O R P O R A T I O N

(Company's Full Name)

1 1 F C H I N A B A N K B L D G 8 7 4 5 P A S E O

D E R O X A S C O R V I L L A R S T M A K A T I

(Business Address: No., Street City/ Town / Province)

ATTY. LEILANI B. ELARMO

Contact Person

885-5145

Company Telephone Number

0 4

Month

1 4

Day

1 7 - A*

FORM TYPE

0 5

Month

0 8

Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

1,979

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

*with BIR-Stamped AFS and CD Copy

Remarks: Please use BLACK ink for scanning purposes

10 April 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Bldg., EDSA Greenhills
Mandaluyong City

Dear Sir/Madam:

In compliance with your requirements, we are submitting herewith the Bank's Annual Report pursuant to Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, together with the Audited Financial Statements for the years ended 2014 and 2013 stamped received by the Bureau of Internal Revenue, Statement of Management's Responsibility for Financial Statements, diskette copy of the financial statements, and Sworn Certification. We have also attached machine copies in addition to the original copies of the foregoing documents.

With respect to the financial statements, please note that the accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2014:

New and Amended Standards and Interpretations

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies*

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

Standards that have been adopted and are deemed to have an impact in the financial statements or the performance of the Bank are described below.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

Annual Improvements to PFRSs (2010-2012 cycle)

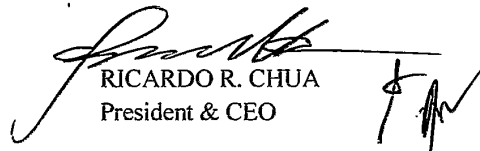
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*



For a more detailed discussion on the changes in the Bank's accounting policies as required by the foregoing, please refer to Note 2 to the Audited Financial Statements.

Thank you very much.

Very truly yours,


RICARDO R. CHUA
President & CEO

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2014**
2. SEC Identification Number: **443**
3. BIR Tax Identification Code: **320-000-444-210**
4. Name of issuer as specified in its charter: **China Banking Corporation**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC use only)
7. Address of principal office: **China Bank Building, 8745 Paseo de Roxas** Postal Code: **1226**
corner Villar Street, Makati City
8. Issuer's telephone number, including area code: **(632) 885-5555**
9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA:

<i>Title of Each Class</i>	<i>Number of Shares Outstanding</i>	<i>Amount of Debt Outstanding</i>
Common	1,716,414,317	Short Term : P383,185,769,162 Long Term : P31,188,178,390

10. Are any or all of these securities listed in a Stock Exchange? Yes [☒] No [☐]

The above common shares are listed in the Philippine Stock Exchange.
11. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11 (a) - 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days:

Yes [☒] No [☐]
12. Aggregate market value of the voting stock held by non-affiliates: P47.15 Billion (as of December 31, 2014)
13. Portions of the Bank's 2014 Annual Report to Stockholders are incorporated by reference in Parts I & II of this report.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(a) Form and Year of Organization

China Banking Corporation (stock symbol CHIB, China Bank) was incorporated on July 20, 1920 and commenced business on August 16 of the same year as the first privately-owned local commercial bank in the Philippines. It resumed operations after World War II on July 23, 1945 and played a key role in the post-war reconstruction and economic recovery by providing financial support to businesses and entrepreneurs. CHIB was listed on the local stock exchange by 1947 and acquired its universal banking license in 1991. The Bank started by mainly catering to the Chinese-Filipino commercial sector, but has since expanded its market scope to include the retail and consumer segments. Its core banking franchise stems mainly from its 94-year history in the Philippines, a factor that has enabled it to become deeply entrenched within the socioeconomic fabric of the Chinese-Filipino community. The Bank's market comprises the corporate, commercial, middle and retail markets. It provides a wide range of domestic and international banking services, and is one of the largest commercial banks in the country in terms of assets and capital.

Key milestones in the China Bank history include:

- 1920 - China Bank established as the first privately owned local commercial bank in the Philippines
- 1947 - China Bank was listed on the local stock exchange
- 1969 - China Bank became the first bank in Southeast Asia to process deposit accounts on-line
- 1988 - China Bank was the first Philippine bank to offer telephone banking; joined seven other banks in setting up BancNet, the country's largest ATM network
- 1991 - China Bank acquired its universal banking license
- 1996 - China Bank accessed offshore capital markets by issuing USD 50MN FRCD, followed by USD 75MN in 1997
- 2005 - China Bank launched China Bank Online e-banking portal for retail and corporate customers
- 2006 - China Bank completed its first international secondary share offering USD53 MN
- 2007 - China Bank acquired Manila Bank with 75 branch licenses; bancassurance joint venture with Manulife Phils. through a 5% equity stake in Manulife China Bank Life Assurance Corp. (MCBLife)
- 2008 - China Bank issued its maiden offering of 5-year long-term negotiable certificate of deposits (LTNCD); former Manila Banking Corporation main office in Ayala Avenue was relaunched as the China Bank Savings headquarters; branch network exceeded the 200-mark
- 2009 - China Bank was cited as one of the 11 Philippine companies and one of two Philippine banks which outperformed their peers of Top 100 publicly-listed Asean companies in creating wealth for shareholders, based on the study by Stern Stewart & Co.
- 2010 - Gold awardee on corporate governance, one of the top-scoring Publicly Listed Company by the Institute of Corporate Directors (ICD)
- 2011 - Best Wealth Management House in the Philippines awarded by Asset Triple A Investment Awards in Hong Kong; also cited as a "rising star"—an emerging private banking powerhouse in the country ; Gold awardee (score of at least 95%) for corporate governance from ICD
- 2012 – Bell Award for Corporate Governance conducted by the Philippine Stock Exchange (PSE), the only bank among the five publicly-listed companies awarded, distinguished from among 255; ten-to-one stock split; acquired Unity bank, a Pampanga-based rural bank
- 2013 – China Bank was Bell awardee again, only bank, one of 3 to repeat for corporate governance; breached the 300-mark in branch network; Unity branches merged with the China Bank Savings, Inc.; Memorandum of Agreement (MOA) with Plantersbank
- 2014 – China Bank received approval from the Monetary Board to acquire at least 84.77% of Plantersbank; increased stake on MCB Life from 5% to 40%; conducted an P8.0 billion stock right offering in May; was Bell awardee for the third consecutive year, and the only bank among the top five awardees; considered an *Outstanding Company in Corporate Governance* by Corporate Governance Asia; and ranked among the top 50 publicly-listed companies in the ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014

China Bank's main business include corporate and SME lending, retail loans including mortgage and auto loans, treasury and foreign exchange trading, trust and investment management, wealth management, cash management, insurance products through China Bank Insurance Brokers, Inc. & MCBLife, internet banking and mobile banking services and remittances through tie-ups with remittance companies and exchange houses in the Middle East, Asia and major US cities. The Bank also offers foreign currency deposits in 3 currencies, US Dollar, Euro and Yuan to cater to clients' trade, investment and remittance requirements in their currencies. The Bank also continued to be more active in the investment banking arena with participation in numerous deals, acted as a

lead or joint lead to some deals such as SM Prime Holdings, Inc., SM Investment Corporation, Ayala Land, JG Summit Holdings, and PLDT, among others.

China Bank offers a wide range of financial products and services through 470 branches nationwide. Complementing this vast branch network are convenient and secure electronic banking channels for 24/7 banking service — 661 ATMs nationwide, China Bank Online (mobile and internet banking), and China Bank TellerPhone (phone banking). The Bank also plans to publicly launch its credit cards in the first half of 2015.

The Parent Company has the following subsidiaries:

Subsidiary	Effective Percentages of Ownership		Country of Incorporation	Principal Activities
	2014	2013		
China Bank Insurance Brokers, Inc. (CIBI)	100.00%	100.00%	Philippines	Insurance brokerage
CBC Properties and Computer Center, Inc. (CBC-PCCI)	100.00%	100.00%	Philippines	Computer services
CBC Forex Corporation*	100.00%	100.00%	Philippines	Foreign exchange
China Bank Savings, Inc. (CBSI)	98.00%	95.25%	Philippines	Retail and consumer banking
Unity Bank, A Rural Bank, Inc. (Unity Bank)**	—	99.95%	Philippines	Rural banking
Planters Development Bank (PDB)	99.85%	—	Philippines	Retail and consumer banking

* In the process of liquidation and awaiting clearance from regulatory bodies to effect dissolution

** Merged with CBSI on January 20, 2014

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.01% and 19.54% as of December 31, 2014 and 2013.

The Parent Company's principal place of business is at 8745 Paseo de Roxas corner Villar Streets, Makati City.

Merger of CBSI with Unity Bank

The Board of Directors (BOD) of CBSI, in its meeting held last June 6, 2013, approved the proposed merger with Unity Bank. The terms of the Plan of Merger of CBSI with Unity Bank were approved by CBSI's stockholders in their meeting held on July 18, 2013.

On November 22, 2013, the Monetary Board (MB), in its Resolution No. 1949, approved the Plan of Merger and Articles of Merger of CBSI and Unity Bank subject to certain conditions.

On January 20, 2014, CBSI obtained SEC's approval of its merger with Unity Bank. The merger was effected via a share-for-share exchange, with CBSI as the surviving entity.

Acquisition of Planters Development Bank

On September 18, 2013, the BOD of the Parent Company approved the Parent Company's acquisition of at least 66.67% of the outstanding subscribed capital stock of Planters Development Bank (PDB). On the same date, the Parent Company, the PDB Shareholders, and PDB entered into a memorandum of agreement (MOA) wherein the PDB Shareholders agreed to sell their shares in PDB representing at least 66.67% of the total outstanding capital stock of PDB to the Parent Company.

On December 18, 2013, the Parent Company and the selling PDB Shareholders executed the Share Purchase Agreement (SPA) for the acquisition of the latter's 84.77% equity interest in PDB in exchange for cash consideration. The SPA includes closing conditions and activities to be fulfilled by both the Parent Company and the selling PDB Shareholders on or before the Closing Date defined under the SPA.

Also on December 18, 2013, the Parent Company obtained from the Monetary Board (MB) of the Bangko Sentral ng Pilipinas the approval-in-principle of the merger between PDB with either the Parent Company or CBSI within three years from December 13, 2013 (the date of MB approval), the first stage of which is the acquisition by the Parent Company of 84.77% of the outstanding subscribed capital stock of PDB. The Parent Company obtained the final approval of the acquisition from the MB on May 23, 2014.

On January 15, 2014, the Closing Date, the Parent Company acquired majority of PDB's outstanding subscribed capital stock in exchange for a cash consideration. The following significant closing conditions of the SPA were also carried out:

- a) Execution of the deeds of absolute sale of shares in favor of the Parent Company, evidencing the sale, assignment, transfer, and conveyance by majority of the selling PDB shareholders of the relevant sale shares;
- b) Resignation of each of the original members of the BOD of PDB;
- c) Election/re-election of the new members of the BOD of PDB, majority of which are members of the BOD of the Group.

Accordingly, on January 15, 2014, the Parent Company obtained control over PDB.

(b) Bankruptcy, receivership or similar proceedings

The Bank is not subject to any bankruptcy, receivership or similar proceedings.

(c) Material Reclassification Merger, Consolidation or Purchase or Sale of Assets

On August 14, 2014, the stockholders owning at least 2/3 of the outstanding capital stock of Planters Development Bank (Plantersbank) and China Bank Savings, Inc. (CBSI) approved the Plan of Merger of Plantersbank and CBSI, with the latter as the surviving bank. The request for the merger is now awaiting action by the relevant regulatory agencies.

With respect to China Bank's capital stake and contributed surplus in Manulife China Bank Life Assurance Corporation (MCBLife), the China Bank Board authorized on July 2, 2014 the increase in the Bank's investment from 5% to 40%. On September 12, 2014, the Bangko Sentral ng Pilipinas (BSP) approved such increase, subject to compliance with additional requirements.

(d) Business of Issuer – Description of the Business and its Significant Subsidiaries

(i) Principal Products and Services

China Bank's main businesses include deposit taking, corporate and middle market lending, retail loans including mortgage and auto loans, investment banking, insurance products through its subsidiaries, treasury and foreign exchange trading, trust and investment management, wealth management, cash management, internet banking and mobile banking services, inward remittances through tie-ups with remittance companies and exchange houses in the Middle East, Asia and major US cities. The income from these products/services is divided into two categories, namely (1) interest income from the Bank's deposit taking and lending/investment activities which accounts for 79% of revenues and (2) other income (includes service charges, fees & commissions, trading gain, foreign exchange gain, trust fees, income from sale of acquired assets and other miscellaneous income) which account for 21% of revenues.

Percentage of sales or revenues and net income contribution from foreign sales (broken down into major markets such as Western Europe, Southeast Asia, etc.) for each of the last three years. Not applicable.

DEPOSITS AND RELATED SERVICES

Peso Deposits: Checking, Savings, Time; Foreign Currency Deposits (US Dollar, Euro and Yuan): Savings, Time; Manager's/Gift; Check/Demand Draft; Safety Deposit Box; SSS Pension Accounts; Payroll Servicing Facility; Direct Deposit Facility for US Pensioner; Night Depository Services; Armored Car Deposit Pick-up Services; Domestic Collections/Out-of-town Checks

REMITTANCE SERVICES

Overseas Kababayan Services - China Bank On-time Remittance (Foreign Remittances), Overseas Kababayan Savings Account (OKS) Account, OKS Home Plus, OKS Auto Plus

LOANS AND CREDIT FACILITIES

Corporate Loans and Commercial Loans, Loan Syndication, Factoring Receivables, Special Lending Programs: BSP Rediscounting, Industrial Guarantee Loan Fund, Environmental Development Program, Sustainable Logistics Development, Industrial and Large Projects, Guarantee Programs; Consumer Loans: HomePlus Real Estate Loans, Contract to Sell Financing, AutoPlus Vehicle Loans

INTERNATIONAL BANKING PRODUCTS & SERVICES

Import and Export Financing, Foreign and Domestic Commercial Letters of Credit, Standby Letters of Credit, Irrevocable Reimbursement Undertaking, Collection of Clean and Documentary Bills, Bank Guaranty (Shipside Bond), Purchase and Sale of Foreign Exchange, Travel Funds, Servicing of Foreign Loans and Investments, Trade Inquiry, Trust Receipt Facility, Correspondent Banking Services

TREASURY SERVICES

Peso Denominated Instruments: Government and Corporate Bond Issues, Dollar Denominated Instruments: Government and Corporate Bond Issues, Foreign Exchange: Spot, Forward, Swaps

TRUST SERVICES

Corporate and Institutional Trust: Fund Management - Employee Benefit Planning, Retirement Plan, Provident/Savings Plan; Escrow Services; Collateral/Mortgage Trust; Loan Agency Services, Wealth Management - Estate Planning, Living Trust; Life Insurance Trust; Investment Management Arrangement - Investment Advisory & Investment Agency, Unit Investment Trust Funds - China Bank Money Market Fund; China Bank Dollar Fund; China Bank GS Fund; China Bank Balanced Fund; China Bank Equity Fund, Intermediate Fixed Income Fund, Short-term Fund

PAYMENT AND SETTLEMENT SERVICES

Electronic Banking Channels: China Bank Automated Teller Machine (ATM); China Bank TellerPhone; China Bank Online Internet, Mobile Banking and Speed Banking; Cashless Shopping (POS); Cash Accept Machine (CAM)

CASH MANAGEMENT SERVICES:

Delivery Channel - China Bank Online; Liquidity Management - Account Balance & Transaction Reporting; Disbursements - Check Write Plus Outsourced (Corporate Check and Manager's Check), Check Write Plus Software, TRACC Accounting Software, Corporate Inter-bank Fund Transfer (Corporate IBFT), TellerCard ATM Payroll Crediting, ChinaPay Software, ChinaPay Payroll Processing, Automatic Credit Arrangement (ACA), Government Payments: BIR eFPS Online Tax Payments, e-Gov - SSS, Philhealth, & Pag-IBIG; Receivables - Automatic Debit Arrangement (ADA), Bills Pay Plus (Multi-Channel Bills Payment Services), BancNet Bills Pay, Debit Point-of-Sale (powered by BancNet), Check Depot (Post-Dated Check Warehousing Service), SSS Sickness / Maternity / Employees' Compensation (SMEC)

INSURANCE PRODUCTS

Bancassurance - Life and Income Protection, Endowment, Investment-Linked, Retirement, Education, Health, Critical Illness with Life Cover, Term Insurance; Non-Life Insurance - Fire Insurance: Residential, Commercial & Trust Receipts, Motor Car Insurance, Aviation Insurance, Marine Insurance: Hull/Vessel & Cargo, Electronic Equipment Insurance, Liability Insurance: Comprehensive General Liability (C.G.L.), Products etc., Directors and Officers Liability Insurance, Accident and Health - Medical Insurance: HMO, Personal Accident: Individual & Group; Travel Insurance, Casualty - Money Insurance, Fidelity Guarantee, Property Floater, All Risks Insurance - Contractor's All Risk (CAR) Insurance/Erector's All Risk Insurance Bonds (Judicial/Performance/Fidelity/Surety, etc), Specialized Insurance Programs

(ii) Distribution Methods of Products and Services:

China Bank's products and services are made available across multiple distribution and delivery channels: 470 branch network (of which 314 are China Bank branches, 78 ChinaBank Savings branches and 78 Planters Bank branches); 661 ATM network (443 in-branch and 218 off-site ATMs nationwide; founding member of the BancNet consortium, access to more than 15,000 ATMs nationwide of BancNet and Megalink networks; online banking (through the Bank's e-portal www.chinabank.ph); mobile banking (available to subscribers of all major telecommunication companies); China Bank EZPay Kiosk (tax payment); and TellerPhone (phone banking). Its head office is located at 8745 Paseo de Roxas corner Villar Streets, Makati City.

Metro Manila Branches

1. MAKATI MAIN BRANCH (Head Office) - CBC Bldg., 8745 Paseo de Roxas cor. Villar Sts., Makati City***
2. BINONDO BUSINESS CENTER - CBC Bldg., Dasmariñas cor. Juan Luna Sts. Binondo, Manila*
3. 999 MALL BRANCH (formerly TUTUBAN CENTER BRANCH) – Unit 3D-5 & 3D-7 999 Shopping Mall, Bldg. 2, Recto – Soler Sts., Binondo, Manila*
4. ANTIPOLLO CITY BRANCH - G/F Budget Lane Arcade, No. 6, Provincial Road, Brgy. San Jose, Antipollo City, Rizal*
5. ANTIPOLLO- SUMULONG HIGHWAY BRANCH- No. 219 Sumulong Highway, Brgy. Mambugan, Antipollo City, Rizal*
6. ARANETA AVE. BRANCH - Philippine Whithasco Bldg., 420 Araneta Ave., cor. Bayani St., Quezon City*
7. ARRANQUE BRANCH – Don Felipe Bldg., 675 Tomas Mapua St., Sta. Cruz, Manila*
8. ASUNCION BRANCH – Units G6 & G7 Chinatown Steel Towers, Asuncion St., San Nicolas, Manila*
9. AYALA-ALABANG BRANCH - G/F, CBC-Bldg. Acacia Ave., Madrigal Business Park, Ayala Alabang, Muntinlupa City*
10. AYALA-COLUMNS BRANCH – G/F The Columns Tower 3, Ayala Ave., Makati City*
11. BALINTAWAK-BONIFACIO BRANCH - 657 A. Bonifacio Ave., Balintawak, Quezon City*

12. BALUT BRANCH - North Bay Shopping Center, Honorio Lopez Boulevard, Balut, Tondo, Manila*
13. BANAWA BRANCH – CBC Bldg., 680 Banawe Ave., Sta. Mesa Heights, District I, Quezon City*
14. BANAWA-MA. CLARA BRANCH – G/F Prosperity Bldg., Banawe, Quezon City*
15. BETTER LIVING SUBD. BRANCH – 128 Doña Soledad Ave., Parañaque City*
16. BF HOMES BRANCH - Aguirre cor. El Grande Aves., United BF Homes, Parañaque City*
17. BF HOMES-AGUIRRE BRANCH – Margarita Centre, Aguirre Ave. cor. Elsie Gaches St., BF Homes, Parañaque City*
18. BF RESORT VILLAGE BRANCH - BF Resort Drive cor. Gloria Diaz St., BF Resort Village Talon Dos, Las Piñas City*
19. BEL-AIR BRANCH - 48 Avant Bldg. Jupiter cor. Mars Sts. Bel Air Village, Makati City*
20. BLUMENTRITT BRANCH - 1777-1781 Cavite cor. Leonor Rivera St., Blumentritt, Sta. Cruz, Manila*
21. BO. KAPITOLYO BRANCH - G/F P&E Bldg., 12 United cor. First Sts. Bo. Kapitolyo, Pasig City*
22. BONNY-SERRANO BRANCH – G/F, Greenhills Garden, Garden Square No. 297 Col Bonny Serrano Ave., Quezon City*
23. CAINTA BRANCH - CBC Bldg (Beside Sta. Lucia East Mall), Felix Ave., Cainta, Rizal*
24. CAPITOL HILLS BRANCH - G/F Design Pro Bldg. Capitol Hills, Old Balara, Quezon City*
25. COMMONWEALTH AVENUE BRANCH - LGF Ever Gotesco Mall, Commonwealth Center, Commonwealth Ave cor. Don Antonio Road, Quezon City*
26. CONGRESSIONAL AVENUE BRANCH – G/F Unit C The Arete Square, Congressional Ave., Project 8, Quezon City*
27. CORINTHIAN HILLS BRANCH - G/F The Clubhouse, Corinthian Hills, Temple Drive Brgy. Ugong Norte, Quezon City*
28. CUBAO-ARANETA BRANCH - Shopwise Arcade Bldg., Times Square St., Araneta Shopping Center, Cubao, Quezon City*
29. CUBAO-AURORA BRANCH - 911 Aurora Boulevard Extension cor. Miami St., Cubao, Quezon City
30. D. TUAZON BRANCH - 174 A-B D. Tuazon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City
31. DASMARIÑAS VILLAGE BRANCH - 2283 Pasong Tamo Ext. cor. Lumbang St., Makati City*
32. DEL MONTE AVENUE BRANCH – No. 497 Del Monte Ave., Brgy. Manresa, Quezon City*
33. DEL MONTE – MATUTUM BRANCH – No. 202 Del Monte Ave. cor. Matutum St., Brgy. St. Peter, Quezon City*
34. DIVISORIA-STA. ELENA BRANCH - Unit G-22 New Divisoria Condominium Ctr. Sta. Elena St. near cor. Tabora St., Binondo
35. DON ANTONIO BRANCH - G/F Royale Place, Don Antonio Ave., Brgy. Old Balara, Quezon City*
36. EASTWOOD CITY BRANCH –Unit D, Techno Plaza One, Eastwood City Cyberpark, E. Rodriguez Jr. Ave., (C-5) Bagumbayan, Quezon City*
37. EDSA-KALOOKAN BRANCH - No. 531 (Lot 5 Block 30) EDSA near cor. Biglang Awa St., Kalookan City*
38. EDSA-TIMOG AVE. BRANCH G/F Richwell Corporate Center, 102 Timog Ave., Brgy. Sacred Heart, Quezon City*
39. E. RODRIGUEZ SR. BLVD. BRANCH - CBC Bldg., #286 E. Rodriguez Sr. Blvd., Brgy. Damayang Lagi, Quezon City*
40. E. RODRIGUEZ-HILLCREST BRANCH – No. 402 E. Rodriguez Sr. Blvd., Cubao, Quezon City*
41. ELCANO BRANCH – G/F Elcano Tower, Elcano St., San Nicolas, Manila
42. ERMITA BRANCH – G/F A. Ma. Natividad Bldg., #470 T. M. Kalaw cor. Cortada Sts., Ermita, Manila*
43. ESPAÑA BRANCH - España cor. Valencia Sts., Sampaloc, Manila*
44. EVANGELISTA BRANCH – Evangelista cor. Gen Estrella St., Makati City*
45. EXAMINER BRANCH - No. 1525 Quezon Ave. cor. Examiner St., West Triangle, Quezon City*
46. FAIRVIEW BRANCH - G/F Angelenix House, Fairview Ave. cor. Camaro St., Quezon City*
47. FILINVEST CORPORATE CITY BRANCH - G/F Wilcon Depot, Alabang- Zapote Rd cor. Bridgeway Ave. Filinvest Corp City, Alabang, Muntinlupa*
48. FORT BONIFACIO GLOBAL CITY BRANCH – G/F Marajo Tower 26th St., Fort Bonifacio Global City, Taguig City*
49. GIL PUYAT AVENUE BRANCH - Mitsu Bldg., No. 65 Sen. Gen Gil Puay Ave., Brgy. Palanan, Makati City*
50. GREENBELT 1 BRANCH - G/F Greenbelt 1, Legaspi St. near cor. Paseo de Roxas, Makati City*
51. GREENHILLS BRANCH - G/F Gift Gate Bldg., Greenhills Shopping Center, San Juan, Metro Manila**
52. GREENHILLS-ORTIGAS BRANCH - CBC-Bldg., 14 Ortigas Ave. Greenhills, San Juan, Metro Manila*
53. HEROES HILLS BRANCH – Quezon Ave. cor. J. Abad Santos St., Heroes Hills, Quezon City*
54. ILAYA BRANCH - #947 APL-YSL Bldg., Ilaya, Tondo, Manila
55. INTRAMUROS BRANCH - No. 409 A. Soriano Ave, Intramuros Manila*
56. J. ABAD SANTOS AVENUE BRANCH - 2159 J. Abad Santos Ave., cor. Batangas St., Tondo, Manila*
57. JUAN LUNA BRANCH – G/F Aclem Bldg., 501 Juan Luna St., Binondo, Manila*
58. KALAYAAN AVE. BRANCH – G/F PPS Bldg., Kalayaan Ave., Quezon City*
59. KALOOKAN- 8TH AVE.- No. 279 Rizal Ave. cor. 8th Ave., Grace Park, Kalookan City
60. KALOOKAN BRANCH - CBC Bldg., 167 Rizal Ave. Extension, Grace Park, Kalookan City*
61. KALOOKAN-CAMARIN BRANCH – Annex Bldg., Space No. 3, Zabarte Town Center, No. 588 Camarin Road cor Zabarte Road, Kalookan City*
62. KALOOKAN-MONUMENTO BRANCH - 779 McArthur Highway, Kalookan City*
63. KAMIAS BRANCH – G/F CRM Bldg., 116 Kamias Road cor. Kasing-Kasing St., Quezon City*
64. KARUHATAN BRANCH - No. 248 McArthur Highway, Karuhatan, Valenzuela City*
65. KATIPUNAN AVE.-ST. IGNATIUS BRANCH – CBC Bldg., No. 121 Katipunan Ave., Brgy. St. Ignatius, Quezon City*
66. LAS PIÑAS BRANCH - CBC- Bldg., Alabang-Zapote Road cor. Aries St., Pamplona Park Subd., Las Piñas City*
67. LAS PIÑAS- MANUELA BRANCH - Alabang-Zapote Road cor. Philamlife Ave., Pamplona Dos, Las Piñas City*
68. LEGASPI VILLAGE -AIM BRANCH - G/F Cacho-Gonzales Bldg, 101 Aguirre cor. Trasierra Sts., Legaspi Village, Makati City*
69. LEGASPI VILLAGE -C. PALANCA BRANCH - Suite A, Basic Petroleum Bldg. 104 C. Palanca Jr. St. Legaspi Village, Makati City*
70. LEGASPI VILLAGE-PEREA BRANCH- G/F, Greenbelt Mansion, 106 Perea St., Legaspi Village, Makati City*
71. LEGASPIVILLAGE - SALCEDO BRANCH - G/F Fedman Suites, 199 Salcedo St. Legaspi Village, Makati City*
72. MAGALLANESVILLAGE BRANCH – G/F, DHI Bldg, # Lapu-Lapu St., cor. EDSA, Magallanes Village, Makati City*
73. MAKATI AVENUE BRANCH - G/F CBC Bldg., Makati Ave. cor. Hercules St. Makati City*
74. MALABON-CONCEPCION BRANCH - Gen. Luna cor. Paez Sts., Concepcion, Malabon*
75. MALABON-GOV. PASCUAL BRANCH – CBC Bldg., Gov. Pascual Ave., Malabon City*
76. MALABON-POTRERO BRANCH - CBC Bldg., McArthur Highway, Potrero, Malabon*
77. MALANDAY BRANCH - CBC Bldg. McArthur Highway, Malanday, Valenzuela City*

78. MANDALUYONG-BONI AVE. BRANCH - G/F VOS Bldg. Boni Ave. cor. San Rafael St., Mandaluyong City*
79. MANDALUYONG-PIONEER BRANCH - UG-05 Globe Telecom Plaza Tower I Pioneer St., Mandaluyong City*
80. MARIKINA – STA. ELENA BRANCH - 250 J.P. Rizal St., Sta. Elena, Marikina City*
81. MARIKINA - FAIRLANE BRANCH- G/F E&L Patricio Bldg., No. 809 J.P. Rizal Ave., Concepcion Uno, Marikina City*
82. MARIKINA- GIL FERNANDO BRANCH Block 9, Lot 14 Gil Fernando Ave., Marikina City*
83. MARIKINA-SSS VILLAGE BRANCH - Lilac cor. Rainbow Sts. SSS Village, Concepcion Dos, Marikina City*
84. MASANGKAY BRANCH - 959-961 G. Masangkay St., Binondo, Manila*
85. MASANGKAY-LUZON BRANCH – 1192 G. Masangkay St., Sta. Cruz, Manila*
86. MAYON BRANCH – 561-B, Mayon St., Brgy. N.S. Amoranto, Quezon City*
87. MEZZA RESIDENCES BRANCH – G/F Mezza Residences, Aurora Blvd. cor. Araneta Ave., Brgy. Doña Imelda, Quezon City*
88. MUNTINLUPA- PUTATAN BRANCH G/F Teknikos Bldg., National Highway, Brgy. Putatan, Muntinlupa City*
89. N. DOMINGO BRANCH – G/F The Main Place, No.1 Pinaglabanan cor. N. Domingo Sts., San Juan City*
90. NAVOTAS BRANCH - No. 500 M. Naval St. near cor. Lacson St. Brgy. North Bay Blvd. North (NBBN) Navotas City*
91. NOVALICHES BRANCH - 954 Quirino Highway, Novaliches Proper, Novaliches, Quezon City*
92. NOVALICHES-SANGANDAAN BRANCH – CBC Bldg., Quirino Highway cor. Tandang Sora Ave., Brgy. Sangandaan, Novaliches, QC*
93. NOVALICHES-TALIPAPA BRANCH - 528 Copengco Bldg., Quirino Highway, Talipapa, Novaliches, Quezon City*
94. NOVALICHES-ZABARTE – G/F C.I. Bldg 1151 Quirino Highway cor. Zabarte Road, Brgy. Kaligayahan, Novaliches, QC*
95. NUEVA BRANCH – Unit Nos. 557 & 559 G/F, Ayson Bldg., Yuchengco St., Binondo, Manila*
96. ONGPIN BRANCH - G/F Se Jo Tong Bldg., 808 Ongpin St., Sta. Cruz, Manila*
97. ORTIGAS-ADB AVE. BRANCH - LGF Cityland Mega Plaza Bldg., ADB Ave. cor. Garnet Road, Ortigas Center Pasig City*
98. ORTIGAS-AVE. EXT.-RIVERSIDE BRANCH – Unit 2-3 Riverside Arc Ortigas Ave Ext cor. Riverside Drive, Brgy. Sta. Lucia, Pasig City*
99. ORTIGAS CENTER BRANCH - Unit 101 Parc Chateau Condominium Onyx cor. Sapphire Sts, Ortigas Center, Pasig City*
100. ORTIGAS COMPLEX BRANCH - G/F Padilla Bldg., Emerald Ave. cor. Ruby Road, Ortigas Center, Pasig City*
101. ORTIGAS-JADE DRIVE BRANCH - Unit G-03, Antel Global Corporate Center Jade Drive, Ortigas Center, Pasig*
102. PACO BRANCH - Gen. Luna cor. Escoda St., Paco, Manila*
103. PACO-OTIS BRANCH – G/F Union Motor Corporation Bldg., 1760 Dra. Paz Guanzon St., Paco, Manila*
104. PADRE FAURA BRANCH - G/F, Regal Shopping Center, A. Mabini cor Padre Faura Sts., Ermita Manila*
105. PARAÑAQUE-SUCAT BRANCH-No. 8260 Dr. A. Santos Ave., Brgy. San Isidro Parañaque City*
106. PASAY-LIBERTAD BRANCH - CBC-Bldg., 184 Libertad St., Antonio Arnaiz Ave., Pasay City*
107. PASAY-ROXAS BLVD. BRANCH - GF Unit G-01 Antel Seaview Towers 2626 Roxas Blvd., Pasay City*
108. PASIG-C. RAYMUNDO BRANCH – G/F Mic Mar Apartments No. 6353 C. Raymundo Ave., Brgy. Rosario, Pasig City*
109. PASIG- MERCEDES BRANCH - Commercial Motors Corp. Cpd., Mercedes Ave., Pasig City*
110. PASIG-SANTOLAN BRANCH - G/F Felmarc Business Center, Amang Rodriguez Ave., Santolan, Pasig City*
111. PASIG-SM SUPERCENTER BRANCH – SM Supercenter Pasig, Frontera Drive, C-5 Pasig City*
112. PASO DE BLAS BRANCH – G/F CYT Bldg, No 178 Paseo de Blas, Valenzuela City*
113. PASONG TAMO-CITYLAND BRANCH - Units UG29-UG32 Cityland Tower 2210 Pasong Tamo St., Makati City*
114. PASONG TAMO-BAGTIKAN BRANCH – G/F Trans-Phil House 1177 Chino Roces Ave. cor. Bagtikan St., Makati City*
115. PATEROS BRANCH - G/F Adela Bldg., M. Almeda St., Brgy. San Roque, Pateros*
116. PHILAM BRANCH - #8 East Lawin Drive, Philam Homes, Quezon City*
117. QUEZON AVE. BRANCH - No. 18 GND Bldg., Quezon Ave. cor. D. Tuazon St., Quezon City*
118. QUIAPO BRANCH - 216-220 Villalobos St., Quiapo, Manila
119. ROOSEVELT AVE. BRANCH - CBC Bldg., #293 Roosevelt Ave., San Francisco Del Monte, Quezon City*
120. SALCEDO VILLAGE-TORDESILLAS BRANCH - G/F Prince Tower Condo 14 Tordesillas St., Salcedo Village, Makati City*
121. SALCEDO VILLAGE-VALERO BRANCH - G/F Valero Tower, 122 Valero St. Salcedo Village, Makati City*
122. SALES-RAON BRANCH – 611 Sales St., Quiapo, Manila*
123. SAN JUAN BRANCH - 17 F. Blumentritt St., San Juan, Metro Manila*
124. SHAW-HAIG BRANCH – G/F, First of Shaw Bldg, Shaw Blvd, cor. Haig St, Mandaluyong City*
125. SHAW-PASIG BRANCH - G/F RCC Center, No. 104 Shaw Boulevard, Pasig City*
126. SHAW-SUMMIT ONE BRANCH - Unit 102 Summit One Office Tower 530 Shaw Boulevard Mandaluyong City*
127. SM CITY BF PARAÑAQUE BRANCH- G/F SM City BF Sucat, BF Parañaque, Dr. A. Santos Ave. cor. President's Ave, Parañaque City*
128. SM CITY BICUTAN BRANCH - LGF, Bldg. B, SM City Bicutan Doña Soledad Ave. cor. West Service Road, Parañaque City**
129. SM CITYFAIRVIEW BRANCH - LGF, SM City Fairview Quirino Ave. cor. Regalado Ave. Fairview, Quezon City*
130. SM CITYMARIKINA BRANCH – G/F SM City Marikina, Marcos Highway, Brgy. Calumpang, Marikina City*
131. SM CITY MASINAG BRANCH SM City Masinag, Marcos Highway, Masinag, Antipolo City*
132. SM CITY NORTH EDSA ANNEX BRANCH – UGF, SM City North EDSA, New Annex Bldg, EDSA, Quezon City*
133. SM CITYSAN LAZARO BRANCH UGF (Units 164-166) SM City San Lazaro, Felix Huertas St cor. A.H. Lacson Ext, Sta. Cruz, Manila*
134. SM CITY TAYTAY - Unit 147 Bldg. B, SM City Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal*
135. SM AURA PREMIER – L/G, SM Aura Premier, McKinley Parkways, Fort Bonifacio, Global City*
136. SM MALL OF ASIA - G/F Main Mall Arcade, SM Mall of Asia, Bay Blvd., Pasay City**
137. SM MEGAMALL BRANCH - LGF Bldg. A, SM Megamall, E. delos Santos Ave cor. J. Vargas St., Mandaluyong City*
138. SM NORTH EDSA BRANCH - Cyberzone Carpark Bldg., SM City North Ave cor. EDSA, Quezon City*
139. SM SOUTHMALL BRANCH - SM Southmall, Alabang-Zapote Road Talon-Almanza, Las Piñas City *
140. SOLER-168 BRANCH – G/F R&S Bldg., Soler St., Manila*
141. STO. CRISTO BRANCH - 711-715 Sto. Cristo cor. Comercio Sts. Binondo, Manila
142. T. ALONZO BRANCH - Abeleda Business Center 908 T. Alonzo cor. Espeleta Sts, Sta. Cruz, Manila*
143. TAFT AVE. – QUIRINO BRANCH – 2178 Taft Ave. near cor. Quirino Ave., Malate, Manila*

144. TIMOG AVE. BRANCH - G/F Prince Jun Condominium, 42 Timog Ave., Quezon City*
145. TRINOMA BRANCH - Unit P002, Level P1, Triangle North of Manila, North Ave. cor. EDSA, Quezon City*
146. TUTUBAN PRIME BRANCH - Rivera Shophouse, Podium Area, Tutuban Center Prime Block, C.M. Recto Ave. cor. Rivera St, Manila*
147. UP TECHNO HUB BRANCH – UP Ayala Land Techno Hub, Commonwealth Ave, Quezon City*
148. VALENZUELA BRANCH - CBC-Bldg., McArthur Highway cor. V. Cordero St., Marulas, Valenzuela City*
149. VALENZUELA- GEN. LUIS BRANCH – AGT Bldg., 425 Gen. Luis St. Paso de Blas, Malinta, Valenzuela City*
150. VISAYAS AVE. BRANCH - CBC-Bldg., Visayas Ave. cor. Congressional Ave. Ext., Quezon City*
151. WEST AVE. BRANCH - 82 West Ave., Quezon City*
152. XAVIERVILLE BRANCH - 65 Xavierville Ave., Loyola Heights, Quezon City*

Provincial Branches

1. ANGELES CITY BRANCH - CBC-Bldg., 949 Henson St., Angeles City*
2. ANGELES CITY-MARQUEE MALL BRANCH – G/F Marquee Mall, Angeles City, Pampanga*
3. ANGELES - MCARTHUR HIGHWAY BRANCH – CBC Bldg. San Pablo St. cor. McArthur Highway, Angeles City*
4. ANGELESCITY-BALIBAGO- Diamond Square, Service Rd, McArthur Highway cor. Charlotte St., Balibago, Angeles City*
5. ANGELES- STO. ROSARIO BRANCH – Angeles Business Center Bldg., Teresa Ave., Nepo Mart Complex, Angeles City, Pampanga*
6. ANTIQUE- SAN JOSE BRANCH - Felrosa Bldg., Gen. Fullon St. cor. Cerdana St., San Jose, Antique*
7. APALIT BRANCH – CBC Bldg., McArthur Highway, San Vicente, Apalit, Pampanga*
8. BACOLOD-ARANETA BRANCH - CBC-Bldg., Araneta cor. San Sebastian Sts., Bacolod City*
9. BACOLOD- LIBERTAD BRANCH - Libertad St., Bacolod City, Negros Occidental*
10. BACOLOD – MANDALAGAN BRANCH - Lacson St., Mandalagan, Bacolod City, Negros Occidental*
11. BACOLOD-NORTH DRIVE BRANCH - Anesa Bldg., B.S. Aquino Drive, Bacolod City*
12. BAGUIOCITY BRANCH - G/F Juniper Bldg., A. Bonifacio Rd., Baguio City*
13. BAGUIO CITY-ABANAO BRANCH – G/F Paladin Hotel, No. 136 Abanao Ext. cor. Cariño St., Baguio City*
14. BALANGA CITY BRANCH - G/F Dilig Bldg., Don Manuel Banzon St., Balanga City, Bataan*
15. BALER BRANCH- Provincial Road, Barrio Suklayain, Baler, Aurora**
16. BALIWAG BRANCH – Km 51, Doña Remedios Trinidad (DRT) Highway, Baliwag Bulacan*
17. BATANGAS CITY BRANCH - P. Burgos St., Poblacion, Batangas City*
18. BATANGAS- BAUAN - 62 Kapitan Ponso St., Bauan, Batangas*
19. BATANGAS-LEMERY – Miranda Bldg., Ilustre Ave. Lemery, Batangas*
20. BATANGAS- ROSARIO BRANCH- Dr. Gualberto Ave., Brgy. Namunga, Rosario, Batangas*
21. BATANGAS- TANAUAN BRANCH- J.P Laurel Highway, Tanauan City, Batangas*
22. BAYBAY CITY BRANCH – Magsaysay Ave, Baybay, Leyte*
23. BORONGAN BRANCH – Balud II, Poblacion Borongan, Eastern Samar*
24. BULACAN- BALAGTAS BRANCH- McArthur Highway, Brgy. San Juan, Balagtas, Bulacan*
25. BULACAN- STA. MARIA BRANCH - J.P Rizal cor. C. de Guzman St. , Poblacion, Sta. Maria*
26. BUTUAN CITY BRANCH - T. Calo cor. San Francisco Sts. Leon Kilat, Butuan City*
27. CABANATUAN CITY - Melencio cor. Sanciango Sts. Cabanatuan City*
28. CABANATUAN-MAHARLIKA BRANCH - CBC-Bldg., Maharlika Highway Cabanatuan City*
29. CAGAYAN DE ORO-BORJA BRANCH - J. R. Borja St., Cagayan de Oro City*
30. CAGAYAN DE ORO-CARMEN BRANCH - G/F GT Realty Bldg, Max Suniel St. cor. Yakal St., Carmen, Cagayan de Oro City*
31. CAGAYAN DE ORO- DIVISORIA BRANCH - RN Abejuela St., South Divisoria, Cagayan de Oro City*
32. CAGAYAN DE ORO- GAISANO CITYMALL BRANCH - G/F Gaisano City Mall, C. M. Recto cor. Corrales Ext, Cagayan de Oro City*
33. CAGAYAN DE ORO-LAPASAN BRANCH - CBC Bldg, Claro M. Recto Ave., Lapasan, Cagayan de Oro City*
34. CALAPAN BRANCH – J.P. Rizal St., Calapan City, Mindoro*
35. CANDON CITY BRANCH- CBC Bldg., National Road, Poblacion, Candon City, Ilocos Sur*
36. CARMONA BRANCH – CBC Bldg, Paseo de Carmona, Brgy. Maduya, Carmona, Cavite*
37. CATARMAN BRANCH – Cor. Rizal & Quirino Sts, Catarmán, Northern Samar*
38. CATBALOGAN BRANCH - CBC Bldg. Del Rosario St. cor. Taft Ave., Catbalogan City, Samar*
39. CAUAYAN CITY BRANCH - G/F Prince Christopher Bldg. Maharlika Highway, Cauayan City, Isabela*
40. CAVITE-DASMARIÑAS BRANCH - G/F CBC Bldg., Gen. E. Aguinaldo Highway, Dasmariñas, Cavite**
41. CAVITE-IMUS BRANCH - G/F CBC Bldg., Nueno Ave. Tanzang Luma, Imus, Cavite*
42. CAVITE- MOLINO BRANCH - Patio Jacinto, Molino Road, Molino 3, Bacoar, Cavite*
43. CAVITE-ROSARIO BRANCH - G/F CBC Bldg., Gen Trias Drive, Rosario, Cavite**
44. CAVITE- SM CITY BACOR BRANCH - LGF SM City Bacoar Tirona Highway cor. Aguinaldo Highway Bacoar, Cavite*
45. CEBU-BANILAD BRANCH - CBC Bldg., A.S. Fortuna St., Banilad, Cebu City*
46. CEBU- BOGO BRANCH- Sim Bldg. P. Rodriguez St., Bogo City Cebu*
47. CEBU BUSINESS CENTER-CBC Bldg., Samar Loop cor. Panay Rd., Cebu Business Park, Cebu City*
48. CEBU-CARCAR BRANCH – Dr. Jose Rizal St, Barrio Poblacion, Carcar, Cebu City*
49. CEBU-CONSOLACION BRANCH – G/F SM City Consolacion, Brgy. Lamac, Consolacion, Cebu*
50. CEBU- ESCARIO BRANCH - Units 3 & 5 Escario Central, Escario Road, Cebu City*
51. CEBU-F. RAMOS BRANCH - F. Ramos St., Cebu City*
52. CEBU-GORORDO – No 424, Gorordo Ave., Bo. Camputhaw, Lahug District, Cebu City, Cebu*
53. CEBU-GUADALUPE BRANCH – CBC Bldg., M. Velez St., cor. V. Rama Ave., Guadalupe, Cebu City*
54. CEBU – IT PARK – G/F, The Link, Cebu IT Park, Bo. Apas, Lahug, Cebu City*

55. CEBU-LAHUG BRANCH - JY Square Mall, No. 1 Salinas Dr., Lahug, Cebu City*
56. CEBU-LAPU LAPU BRANCH G/F Goldberry Suites, President Quezon National Highway, Pusok, Lapu-Lapu City*
57. CEBU-MAGALLANES BRANCH - CBC Bldg., Magallanes cor. Jakosalem Sts., Cebu City*
58. CEBU-MANDAUE BRANCH – O & M Plaza, A. Del Rosario St., Mandaue City, Cebu*
59. CEBU MANDAUE CABANCALAN BRANCH - M.L. Quezon St., Cabancalan, Mandaue City, Cebu*
60. CEBU-MANDAUE – J. CENTRE MALL – LGF Centre Mall, A.S. Fortuna Ave., Mandaue City, Cebu*
61. CEBU-MANDAUE NORTH ROAD BRANCH- 447 Tabok North Road, Mandaue City*
62. CEBU-MINGLANILLA – Unit 9 Plaza Margarita, Lipata, Minglanilla, Cebu*
63. CEBU-NAGA - Leah's Square, National South highway, East Poblacion, Naga City, Cebu*
64. CEBU-SM CITY BRANCH - Upper G/F, SM City Cebu, Juan Luna cor. A. Soriano Ave., CebuCity**
65. CEBU- SUBANGDAKU BRANCH - G/F Mandaue Friendship Bldg. I, Subangdaku, Mandaue City, Cebu (Alpa Centrum, Subangdaku, Mandaue City, Cebu- Temporary Office)*
66. CEBU- TALAMBAN BRANCH - Unit UG-7 Gaisano Grand Mall, Gov Cuenco Ave., Nasipit, Brgy. Talamban, Cebu City*
67. CEBU-TALISAY BRANCH - CBC Bldg., 1055 Cebu South National Road Bulacao, Talisay City, Cebu*
68. COTABATO CITY BRANCH - No. 76 S.K. Pendatun Ave., Cotabato City, Province of Maguindanao*
69. DAET – Vinzons Ave., Daet, Camarines Norte*
70. DAGUPAN-M.H.DEL PILAR BRANCH – Carried Realty Bldg., No. 28 M.H. del Pilar St., Dagupan City*
71. DAGUPAN - PEREZ BRANCH - 209 Perez Boulevard, Pogo Chico, Dagupan City*
72. DAVAO-BAJADA BRANCH - Km. 3, J.P. Laurel Ave., Bajada, Davao City*
73. DAVAO-BUHANGIN BRANCH - Buhangin Road, Davao City*
74. DAVAO-LANANG BRANCH – Insular Village I, Km. 8, Lanang, Davao City*
75. DAVAO- MA-A BRANCH- G/F Lapeña Bldg., McArthur Highway, Matina, Davao City
76. DAVAO-MATINA BRANCH – Gingerbread Bldg., Km. 4 McArthur Highway, Matina, Davao City*
77. DAVAO-PANABO – PJ Realty, Brgy. New Pandan, Panabo City, Davao Del Norte*
78. DAVAO-RECTO BRANCH - CBC Bldg., C.M. Recto Ave. cor. J. Rizal St. Davao City*
79. DAVAO- SM LANANG BRANCH - G/F SM Lanang Premier, J.P. Laurel Ave., Davao City*
80. DAVAO-STA. ANA BRANCH - R. Magsaysay Ave. cor. F. Bangoy St., Sta. Ana District, Davao City*
81. DAVAO-TAGUM BRANCH - 153 Pioneer Ave., Tagum, Davao del Norte*
82. DAVAO-TORIL – McArthur highway cor. St. Peter St., Crossing Bayabas, Toril Davao City*
83. DIPOLOG CITY BRANCH – CBC Bldg., Gen Luna cor. Gonzales Sts. Dipolog City*
84. DUMAGUETE CITY BRANCH - Du An Sim Bldg., Legaspi St., Dumaguete City*
85. GAPAN BRANCH – Waltermart Ctr, Gapan, Maharlika Highway, Brgy. Bayanihan, Gapan, Nueva Ecija*
86. GEN. SANTOS CITY BRANCH - CBC Bldg., I. Santiago Blvd., Gen. Santos City South Cotabato*
87. GUAGUA – Yabut Bldg., Plaza Burgos, Guagua, Pampanga*
88. ILIGAN CITY BRANCH – Lai Bldg., Quezon Ave. Extension Pala-o, Iligan City*
89. ILOILO-IZNART BRANCH - G/F John A. Tan Bldg., Iznart St., Iloilo City*
90. ILOILO-JARO – CBC Bldg., E. Lopez St., Iloilo City, Iloilo*
91. ILOILO-MABINI BRANCH - A. Mabini St., Iloilo City*
92. ILOILO-MANDURRIAO BRANCH - Benigno Aquino Ave., Brgy, San Rafael, Mandurriao, Iloilo City*
93. ILOILO-RIZAL BRANCH – CBC Bldg., Rizal cor. Gomez Sts., Brgy. Ortiz, Iloilo City*
94. ISABELA-ILAGAN BRANCH - G/F North Star Mall, Maharlika Highway, Brgy. Alibagu, Ilagan, Isabela*
95. ISABELA-ROXAS – National Road, Brgy. Bantug, Roxas, Isabela
96. ISABELA-SANTIAGO CITY BRANCH - Navarro Bldg., Maharlika Highway near cor. Bayaua St., Santiago City, Isabela*
97. KALIBO BRANCH – Waldorf Garcia Bldg, Osmeña Ave., Kalibo, Aklan*
98. KIDAPAWAN CITY BRANCH- G/F EVA Bldg., Quezon Blvd. cor. Tomas Claudio St., National Highway, Kidapawan City*
99. KORONADALCITY – Gen. Santos Drive cor. Aquino St. Koronadal City, South Cotabato*
100. LA TRINIDAD BRANCH - G/F SJV Bulasao Bldg., Km. 4, La Trinidad, Benguet*
101. LA UNION BRANCH - Quezon Ave., National Highway, San Fernando, La Union*
102. LAGUNA - CALAMBA BRANCH - CBC-Bldg., National Highway, Crossing, Calamba, Laguna*
103. LAGUNA - STA. CRUZ BRANCH - A. Regidor St., Sta. Cruz, Laguna*
104. LAOAG CITY BRANCH - Liberato Abadilla St., Brgy 17 San Francisco, Laoag City*
105. LEGAZPI CITY BRANCH - G/F Emma Chan Bldg., F. Imperial St., Legazpi City*
106. LUCENA CITY BRANCH - 223 Quezon Ave., Lucena City*
107. MABALACAT-DAU BRANCH - R.D. Policarpio Bldg., McArthur Highway, Dau, Mabalacat, Pampanga*
108. MARILAO BRANCH- G/F, SM City Marilao Km. 21, Brgy. Ibayo, Marilao, Bulacan*
109. MASBATE BRANCH - Espinosa Bldg., Zurbito St., Masbate City, Masbate*
110. MAASINCITY BRANCH- G/F, SIC Bldg., Tomas Oppus St., Brgy. Tunga-Tunga, Maasin, City, Southern Leyte*
111. MALAYBALAY CITY BRANCH – Bethelda Bldg., Sayre Highway, Malaybalay City, Bukidnon*
112. MALOLOS CITY BRANCH - G/F Graceland Mall, BSU Grounds, McArthur Highway, Guinhawa, Malolos City, Bulacan
113. MEYCAUAYAN BRANCH- CBC Bldg., Malhacan Road, Meycauayan, Bulacan*
114. NAGA CITY BRANCH - Centro - Penafrancia cor. Panganiban Sts., Naga City*
115. NEGROS OCCIDENTAL - KABANKALAN BRANCH- CBC Bldg., National Highway, Brgy. 1, Kabankalan, Negros Occidental
116. NEGROS OCCIDENTAL – SAN CARLOS – Rizal cor. Carmona Sts., San Carlos, Negros Occidental*
117. NUEVA ECIIJA – STA ROSA- CBC Bldg., Maharlika Highway, Poblacion Sta Rosa, Nueva Ecija*
118. OCCIDENTAL MINDORO- SAN JOSE BRANCH- Liboro cor. Rizal St., San Jose, Occidental Mindoro*
119. ORMOC CITY BRANCH – CBC Bldg., Real cor. Lopez Jaena Sts., Ormoc City, Leyte*

120. OZAMIZ CITY BRANCH - Gomez cor. Burgos Sts., Ozamiz City*
121. PAGADIAN CITY BRANCH – Marasigan Bldg., F.S. Pajares Ave., Pagadian City*
122. PANGASINAN-ALAMINOS CITY BRANCH – Marcos Ave., Brgy, Palamis, Alaminos City*
123. PANGASINAN- BAYAMBANG BRANCH- CBC Bldg., No. 91, Poblacion Sur, Bayambang, Pangasinan*
124. PANGASINAN-URDANETA BRANCH – EF Square Bldg., MacArthur Highway, Poblacion, Urdaneta City, Pangasinan*
125. PASEO DE STA. ROSA BRANCH - Unit 3, Paseo 5, Paseo de Sta. Rosa, Sta. Rosa City, Laguna*
126. PUERTO PRINCESA CITY BRANCH - Malvar St. near cor. Valencia St. Puerto Princesa City, Palawan*
127. ROXAS CITY BRANCH - 1063 Roxas Ave. cor. Bayot Drive, Roxas City*
128. SAN FERNANDO BRANCH - CBC Bldg., V. Tiomico St. City of San Fernando, Pampanga*
129. SAN FERNANDO-DOLORES BRANCH - CBC Bldg., McArthur Highway, Dolores, City of San Fernando, Pampanga*
130. SAN FERNANDO-SINDALAN BRANCH – Jumbo Jenra Sindalan, Brgy. Sindalan, San Fernando City, Pampanga*
131. SAN JOSECITY BRANCH - Maharlika Highway, Brgy. Malasin, San Jose City*
132. SAN PABLOCITY BRANCH - M. Paulino St., San Pablo City*
133. SILAY CITY BRANCH - Rizal St., Silay City, Negros Occidental*
134. SM CITYCLARK BRANCH - G/F SM City Clark, M. Roxas St., CSEZ, Angeles City, Pampanga**
135. SM CITY DASMARIÑAS BRANCH – LGF SM City Dasmariñas, Gov Drive, Pala-Pala, Cavite City*
136. SM CITY LIPA BRANCH - G/F SM City Lipa, Ayala Highway, Brgy. Maraouy, Lipa City, Batangas*
137. SM CITY NAGA BRANCH - SM City Naga, CBD II, Brgy. Triangulo Naga City*
138. SM CITY OLONGAPO BRANCH - SM City Olongapo Magsaysay Dr. cor. Gordon Ave., Brgy. Pag-asa, Olongapo City, Zambales*
139. SM CITY PAMPANGA - Unit AX3 102, Bldg. 4, SM City Pampanga, Mexico, Pampanga*
140. SM CITYSAN PABLO BRANCH - G/F SM City San Pablo National Highway, Brgy. San Rafael, San Pablo City, Laguna*
141. SM CITY STA. ROSA BRANCH - G/F SM City Sta. Rosa, Bo. Tagapo, Sta. Rosa, Laguna*
142. SOLANO BRANCH – National Highway, Brgy. Quirino, Solano, Nueva Vizcaya*
143. SORSOGON BRANCH - CBC Bldg., Ramon Magsaysay Ave., Sorsogon City, Sorsogon*
144. SUBIC BAY FREEPORT ZONE BRANCH – CBC Bldg, Subic Bay Gateway Park, Subic Bay Freeport Zone, Subic, Zambales*
145. SURIGAO CITY BRANCH – CBC Bldg., Amat St., Barrio Washington, Surigao City, Surigao Del Norte*
146. TABACO CITY BRANCH - Ziga Ave. cor. Berces St., Tabaco City, Albay*
147. TACLOBANCITYBRANCH-Carlos Chan Bldg., P. Zamora St., Tacloban City *
148. TAGAYTAY CITY BRANCH – Olivarez Plaza Tagaytay, E. Aguinaldo Highway, Silang Crossing, Tagaytay City, Cavite*
149. TAGBILARAN CITY BRANCH - G/F Melrose Bldg. Carlos P. Garcia Ave., Tagbilaran City, Bohol*
150. TALAVERA BRANCH – CBC Bldg., Marcos District, Talavera, Nueva Ecija*
151. TARLAC- CAMILING BRANCH- Savewise Super Marker, Poblacion, Camiling Tarlac*
152. TARLAC- CONCEPCION BRANCH- G/F Descanzo Bldg. F. Timbol St. San Nicolas, Poblacion, Concepcion, Tarlac*
153. TARLAC- PANIQUI BRANCH- Cedasco Bldg., M. H del Pilar St., Poblacion, Paniqui, Tarlac
154. TARLAC BRANCH – CBC Bldg., Panganiban near cor. F. Tañedo St., Tarlac City, Tarlac*
155. THE DISTRICT IMUS BRANCH- G/F The District Imus, Anabu II, Imus, Cavite
156. TRECE MARTIRES - G/F Waltermart, Governor's Drive cor. City Hall Road, Brgy. San Agustin, Trece Martires City, Cavite*
157. TUGUEGARAO CITY BRANCH - A. Bonifacio St., Tuguegarao, Cagayan *
158. VALENCIA BRANCH - A. Mabini St., Valencia, Bukidnon*
159. VIGAN CITY BRANCH – Burgos St. near cor. Rizal St., Vigan City, Ilocos Sur*
160. ZAMBOANGA CITY BRANCH - CBC-Bldg., Gov. Lim Ave. cor. Nuñez St., Zamboanga City**
161. ZAMBOANGA-GUIWAN BRANCH - G/F Yang's Tower, M.C. Lobregat National Highway, Guiwan, Zamboanga City*
162. ZAMBOANGA- SAN JOSE GUSU BRANCH- Yubenco Star Mall, San Jose Gusu, Zamboanga City, Zamboanga del Sur

CHINA BANK SAVINGS, INC.

Metro Manila Branches

1. ADRIATICO – Adriatico St., Malate, Manila*
2. ACACIA ESTATES BRANCH - Acacia Taguig Town Center, Acacia Estates, Ususan, Taguig City*
3. ALABANG HILLS BRANCH - G/F Alabang Comm'l Citi Arcade, Don Jesus Blvd., Alabang, Muntinlupa City*
4. AMANG RODRIGUEZ – Amang Rodriguez Ave. cor. Evangelista St. Brgy. Santolan, Pasig City*
5. ANONAS BRANCH - Maamo St., Road Lot 30, V. Luna and Anonas Extension, Sikatuna, Quezon City*
6. ARANETA CENTER COD BRANCH - Gen. Romulo St., Araneta Center, Cubao, Quezon City*
7. AVENIDA BRANCH - Jenet and Lord Theater, Rizal Ave. Sta. Cruz, Manila*
8. AYALA BRANCH - 6772 Ayala Ave., Makati City*
9. BF HOMES BRANCH - 284 Aguirre Ave., B.F. Homes, Paranaque*
10. CHINO ROCES BRANCH - 2176 Chino Roces Ave., Makati City*
11. FILINVEST CORPORATE CITY BR - BC Group Bldg., East Asia Drive, near cor. Commerce Ave., Filinvest Corp City, Alabang, Muntinlupa City*
12. GREENHILLS-WILSON BRANCH - 219 Wilson St., Greenhills, San Juan City*
13. JACKMAN BRANCH - Jackman Plaza, Lower Ground Floor, EDSA-Munoz, Quezon City*
14. J.P. RIZAL BRANCH - 882 J.P. Rizal St., Makati City*
15. JUAN LUNA BRANCH - 694-696 Juan Luna St., Binondo, Manila*
16. KALOOKAN BRANCH - Augusto Bldg., Rizal Ave., Gracepark, Kalookan City*
17. LA HUERTA – 1070 Quirino Ave., La Huerta, Paranaque City*
18. LAS PIÑAS BRANCH - G/F Parco Supermarket, J. Aguilar Ave., Las Piñas City*
19. LAS PIÑAS – ALMANZA UNO BRANCH - Alabang Zapote Road, Almanza Uno, Las Piñas City*
20. MARIKINA BRANCH - 33 Bayan-Bayanan Ave., Brgy. Concepcion 1 Marikina City*
21. MCKINLEY HILL BRANCH - U-B Commerce & Industry Plaza, McKinley Towncenter, Fort Bonifacio, Taguig City*
22. NEPA Q MART BRANCH - Rose Bldg., 770 St. EDSA and K-G St., West Kamias, Quezon City*
23. NOVA PLAZA MALL BRANCH - Nova Plaza Mall, Quirino Highway cor. Ramirez St., Novaliches Proper, Quezon City*
24. ORTIGAS BRANCH - Ground Floor, Hanston Square, San Miguel Ave., Ortigas Center, Pasig City*
25. PASIG – PADRE BURGOS BRANCH - 114 Padre Burgos St., Kapasigan, Pasig City*
26. PATEROS BRANCH - 500 Elisco Rd., Sto. Rosario, Pateros City*
27. PEDRO GIL BRANCH - Pedro Gil cor. Singalong Sts., Manila*
28. QUEZON AVENUE BRANCH - G/F GJ Bldg., 385 Quezon Ave., Quezon City*
29. SHAW BOULEVARD – 500 Shaw Tower 500 Shaw Boulevard, Mandaluyong City*
30. TAFT MASAGANA BRANCH - Parkview Plaza, Trida Bldg., Taft Ave. cor. T.M. Kalaw St., Ermita, Manila*
31. TAYTAY BRANCH - C. Gonzaga Bldg. II, Manila East Road, Taytay, Rizal*
32. TWO E-COM – Two E-Com Center Tower B, Ocean Drive near cor. Bayshore Ave., Mall of Asia Complex, Pasay City
33. VALENZUELA BARNCH - 385 McArthur Highway, Malinta, Valenzuela City*

Provincial Branches

1. ANGELES BRANCH - Miranda Ext., cor. Asuncion St., Angeles City*
2. ARAYAT BRANCH - Cacutud, Arayat, Pampanga*
3. BACOLOD BRANCH - SKT Saturn Bldg., Lacson cor. Rizal Sts., Bacolod City*
4. BACOR BRANCH - FRC Mall, Gen. Evangelista St., Talaba V, Bacor, Cavite*
5. BAGUIO BRANCH - Upper G/F KDC Bldg., 91 Marcos Highway, Baguio City*
6. BALANGA BRANCH - Capitol Drive, Balanga City, Bataan*
7. BATANGAS CITY BRANCH - Miriel's Place, National Road, Pallocan West, Batangas City*
8. CABANATUAN BRANCH - Km. 115 Cagayan Valley Rd., Maharlika Highway near cor., Sanciango St., Cabanatuan City*
9. CAGAYAN DE ORO BRANCH - Sergio Osmeña St., Cogon District, Cagayan de Oro City*
10. CALAMBA BRANCH - HK Bldg II, National Highway, Brgy. Halang, Calamba, Laguna*
11. CEBU-LAHUG BRANCH - G/F Skyrise IT Bldg., Brgy. Apas, Lahug, Cebu City*
12. CEBU – MANDAUE BRANCH - A. Del Rosario Ave., Mantuyong, Mandaue City, Cebu*
13. DAGUPAN BRANCH - G/F Lyceum-Northwestern University, Tapuac District, Dagupan City*
14. DARAGA BRANCH - Rizal St., Brgy. San Roque, Daraga, Albay, Bicol*
15. DAU BRANCH - MacArthur Highway, Dau, Mabalacat, Pampanga*
16. DAVAO BRANCH - G/F 8990 Corporate Center, Quirino Ave., Davao City*
17. FILOIL TANAUAN – SUPLANG BRANCH – Fil Oil Gas Station, Brgy. Suplang, Tanauan, Batangas*
18. GUAGUA BRANCH - Plaza Burgos, Guagua, Pampanga*
19. LOILO – JARO BRANCH - Lopez Jaena cor. EL 98 Sts., Jaro, Iloilo*
20. ILOILO – QUEZON BRANCH - Ground Floor, 132 Quezon St., Iloilo City*
21. IMUS BRANCH - Gen. Emilio Aguinaldo Highway, Anabu II, Imus, Cavite*
22. LIPA BRANCH - G/F Tibayan Bldg., 1705 CM Recto Ave., cor. Rizal St., Lipa City*
23. MACABEBE BRANCH - Poblacion, Macabebe, Pampanga*
24. MALOLOS BRANCH - Canlapan St., Sto. Rosario, Malolos City, Bulacan*
25. NAGA BRANCH - RL Bldg., Panganiban St., Lerma, Naga City*
26. OLONGAPO BRANCH - Ground Floor, City View Hotel, 25 Magsaysay Drive, New Asinan, Olongapo City*
27. ORANI BRANCH - Brgy. Balut, Orani, Bataan*

28. PORAC BRANCH - Cangatba, Porac, Pampanga*
29. SAN FERNANDO BRANCH - KHY Trading Bldg., San Fernando-Gapan Rd., San Fernando City, Pampanga*
30. SAN FERNANDO – BAYAN BRANCH - V. Tiomico St., City of San Fernando, Pampanga
31. SAN ILDEFONSO BRANCH - Rose Vic Bldg., Cagayan Valley Road, Poblacion San Ildefonso, Bulacan
32. SAN JOSE ANGELES BRANCH - Sto. Rosario St., San Jose, Angeles City
33. SAN JOSE DEL MONTE BRANCH - Ground Floor, Giron Bldg., Gov. Halili Ave., Tungkong Mangga, City of San Jose Del Monte, Bulacan*
34. SAN NARCISO BRANCH - Brgy. Libertad, San Narciso, Zambales*
35. SAN PABLO BRANCH - P. Zamora St. Brgy. VII - B, San Pablo City*
36. SAN PEDRO BRANCH - Gen - Ber Bldg. National Highway Landayan, San Pedro Laguna*
37. SAN RAFAEL BRANCH - Cagayan Valley cor. Cruz na Daan Roads, San Rafael, Bulacan
38. SANTIAGO BRANCH - City Road Centro East, Santiago City, Isabela*
39. STA. ANA BRANCH - Poblacion, Sta. Ana, Pampanga*
40. STA. RITA BRANCH - San Vicente, Sta. Rita, Pampanga*
41. STA. ROSA BRANCH - Sta. Rosa-Tagaytay Highway, Sta. Rosa, Laguna*
42. SUBIC BRANCH - Baraca, Subic, Zambales*
43. TALISAY-NEGROS – Talisay, Mabini St., zone 12 Paseo Mabini Talisay City Negros Occidental*
44. TARLAC BRANCH - RIC Bldg. Bypass Road, San Sebastian, Tarlac City*
45. ZAMBOANGA BRANCH - Nuñez Extension, Camino Nuevo, Zamboanga City*

PLANTERS DEVELOPMENT BANK

Metro Manila Branches

1. ALABANG- GF / Common Goal Bldg., Finance cor. Industry Sts., Madrigal Business Park, Ayala Alabang, Muntinlupa City*
2. ANGONO- M.L. Quezon Ave., Angono, Rizal*
3. ANTIPOLLO- EMS Bldg., M.L. Quezon St. cor. F. Dimanlig St., Antipolo City, Rizal*
4. BUENDIA- Main Branch, 314 Sen. Gil J. Puyat Ave., Makati City*
5. BANAWA- Nos. 247-249 Banawe St., Sta. Mesa Heights, Brgy. Lourdes, Quezon City*
6. BANGKAL- GF / Amara Bldg., 1661 Evangelista St., Bangkal, Makati City*
7. CUBAO- Fernandina 88 Suites, 222 P. Tuazon Boulevard, Cubao, Quezon City
8. DEL MONTE- 392 Del Monte Ave., Brgy. Sienna, Quezon City
9. GREENHILLS- VAG Bldg., Ortigas Ave., Greenhills, San Juan, Metro Manila*
10. KALOOKAN- AJ Bldg., 353 A. Mabini St., Kalookan City*
11. KAPASIGAN- A. Mabini St., Kapasigan, Pasig City
12. LAGRO- Bonanza Bldg., Quirino Highway, Greater Lagro, Novaliches, Quezon City*
13. LAS PIÑAS- 459 DMR Bldg., Gonzales Compound, Alabang-Zapote Road, Brgy. Almanza, Las Piñas City
14. MANDALUYONG- Paterno's Bldg., 572 New Panaderos St., Brgy. Pag-asa, Mandaluyong City*
15. MARIKINA- CTP Bldg., Gil Fernando Ave., Brgy. San Roque, Marikina City*
16. NINOY AQUINO AVENUE- Ground Floor Skyfreight Bldg., Ninoy Aquino Ave. cor. Pascor Drive, Parañaque City*
17. ORTIGAS- OMM Citra Bldg., San Miguel Ave., Ortigas Center, Pasig City
18. PARAÑAQUE- Jaka Plaza Center, Dr. A. Santos Ave. (Sucat Road), Brgy. San Isidro, Parañaque City*
19. PASO DE BLAS- Andok's Bldg., 629 General Luis St., Malinta Interchange-NLEX, Paso de Blas, Valenzuela City*
20. PATEROS- 120 Almeda St., Pateros, Metro Manila
21. QUEZON AVENUE- 1184-A Ben-Lor Bldg., Quezon Ave., Brgy. Paligsahan, Quezon City*
22. RADA- HRC Center, 104 Rada St., Legaspi Village, Makati City*
23. UN AVENUE- 552 U.N. Ave., Ermita, Manila
24. TAYTAY- East Road Arcade, Manila East cor. Cabrera Road, Tikling, Taytay, Rizal*
25. TIMOG- Jenkinsen Towers, 80 Timog Ave., Brgy. Sacred Heart, Quezon City*
26. VALENZUELA CITY- Ong-Juanco Bldg., 92 - J McArthur Highway, Marulas, Valenzuela City*
27. VISAYAS AVENUE- Wilcon City Center Mall, Visayas Ave., Quezon City*

Provincial Branches

1. ANGELES- 639 Rizal St., Angeles City*
2. BACOLOD- F. Soliman Bldg., Lacson St. cor. Luzuriaga St., Bacolod City, Negros Oriental*
3. BACOR- Coastal Road cor. Aguinaldo Highway, Brgy. Talaba VII, Bacor City, Cavite
4. BAGUIO- B108 Lopez Bldg., Session Road, Baguio City*
5. BALAGTAS- McArthur Highway, Wawa, Balagtas, Bulacan*
6. BALANGA- D.M. Banzon St., Balanga City
7. BALIBAGO- JEV Bldg., McArthur Highway, Balibago, Angeles City*
8. BALIUAG- Plaza Naning, Poblacion, Baliuag, Bulacan*
9. BATANGAS- No. 3 P. Burgos St., Batangas City*
10. BIÑAN- Nepa Highway, San Vicente, Biñan, Laguna
11. CABANATUAN- Burgos Ave., Cabanatuan City, Nueva Ecija*
12. CAGAYAN DE ORO- Tiano Brothers St., Cagayan de Oro City*

13. CALAMBA- Ground Floor, AS Bldg., National Highway, Barangay Uno Crossing, Calamba City*
14. CEBU – MANGO, JSP Mango Plaza, Gen. Maxilom Ave. cor. Echavez St., Cebu City*
15. CEBU - P. DEL ROSARIO, Cebu Leasons Bldg., P. Del Rosario St. cor. D. Jakosalem St., Cebu City*
16. DAGUPAN- Burgos Extension, cor. Perez Boulevard and Lingayen Highway Junction, Dagupan City*
17. DASMARIÑAS- Veluz Plaza Bldg., Zone I, Aguinaldo Highway, Dasmariñas City, Cavite*
18. DAVAO – J.P. LAUREL, Door 2, Gutierrez Bldg., J.P. Laurel Ave., Davao City
19. DAVAO – RECTO- C. M Ville Abrille Bldg., C. M. Recto St. Davao City*
20. DOLORES- STCI Bldg., McArthur Highway, San Agustin, City of San Fernando, Pampanga*
21. GENERAL SANTOS- I. Santiago Boulevard General, Santos City*
22. GUAGUA- Sto Niño, Guagua, Pampanga*
23. HAGONoy- Sto. Niño, Hagonoy, Bulacan*
24. ILOILO- Cua Bldg. Quezon St., Iloilo City*
25. IMUS- Tanzang Luma, Aguinaldo Highway, Imus City, Cavite*
26. LA UNION- AG Zambrano Bldg., Quezon Ave., San Fernando City, La Union
27. LB-CROSSING- Lopez Ave., Batong Malaki, Los Baños, Laguna*
28. LIPA- C.M. Recto Ave., Lipa City*
29. LUCENA- Merchan cor., Evangelista St., Lucena City*
30. MALOLOS- Paseo del Congreso, Catmon, City of Malolos, Bulacan*
31. MANDAUE- Co Tiao King Bldg., Cebu North Road Basak, Mandaue City
32. MASANTOL- San Nicolas, Masantol, Pampanga*
33. MEYCAUAYAN- Mancon Bldg., McArthur Highway, Calvario, Meycauayan, Bulacan*
34. MOUNT CARMEL- AMB Bldg., Km. 78 McArthur Highway, Brgy. Saguin, City of San Fernando, Pampanga*
35. NAGA- P. Burgos St. cor. Gen. Luna St., Naga City*
36. OLONGAPO- G/F R&P Guevarra Bldg. 2, 2043 Rizal Ave., Olongapo City*
37. ORANI- Calle Real, Orani, Bataan*
38. PLARIDEL- 0226 Cagayan Valley Road, Banga 1st, Plaridel, Bulacan*
39. SAN FERNANDO- JSL Bldg. Consunji St., City of San Fernando, Pampanga
40. SAN MIGUEL- Norberto St., San Jose, San Miguel, Bulacan*
41. SAN PABLO CITY- Rizal Ave. cor. Lopez Jaena St., San Pablo City*
42. SANTIAGO- JECO Bldg., Maharlika Highway cor. Quezon St., Victory Norte, Santiago City*
43. STA. MARIA- JC De Jesus cor. M. De Leon, Poblacion, Sta. Maria, Bulacan*
44. STA. ROSA- National Highway cor. Lazaga St. Balibago, Sta. Rosa, Laguna*
45. STO. TOMAS- Agojo Bldg., Maharlika Highway, Sto. Tomas, Batangas*
46. TAGUM- Jose Rizal St., Tagum City, Davao del Norte
47. TARLAC- McArthur Highway, San Nicolas, Tarlac City
48. TUGUEGARAO- Metropolitan Cathedral Parish, Rectory Complex, Rizal St., Tuguegarao City*
49. U.P. LOS BAÑOS- Kanluran Road, UPLB Campus, Los Baños, Laguna
50. URDANETA- MacArthur Highway, Nancayasan, Urdaneta City, Pangasinan
51. VIGAN- Agdamag Bldg., Quezon Ave. cor. Calle, Mabini, Vigan City, Ilocos Norte*

* One (1) ATM

** Two (2) ATMs

*** Three (3) ATMs

China Bank - Off Branch ATM Directory

Metro Manila

1. 168 MALL -3/F Food Court, 168 Mall Sta. Elena St. Binondo, Manila
2. 999 MALL 2 – Recto cor. Soler St., Binondo, Manila
3. 999 SHOPPING MALL - Basement Lobby, Soler St., Brgy. 293, Binondo, Manila
4. ALABANG MALL - Alabang Town Center, Alabang - Zapote Road, Muntinlupa City
5. ALI MALL - ATM Booth # 1 Upper G/F Ali Mall P. Tuazon Boulevard, Araneta Center, Quezon City
6. ALI MALL 2 - Lower G/F, Times Square Entrance, Ali Mall, P. Tuazon Blvd., Araneta Center, Quezon City
7. ATENEO DE MANILA UNIVERSITY - G/F Kostka Hall, Ateneo De Manila University, Katipunan Ave., Loyola Heights, Quezon City
8. CASH & CARRY – 2/F, Cash and Carry Mall, Located bet. South Super Highway & Filmore near cor. Buendia, Makati City
9. CHIANG-KAI-SHEK - Chiang Kai Shek College, 1274 P. Algue, Manila
10. CHINA BANK ONLINE CENTER - Starbucks, China Bank Bldg. 8745 Paseo de Roxas cor. Villar St., Makati City
11. COMEMBO COMMERCIAL COMPLEX - J.P. Rizal Ext. cor. Sampaguita St., Comembo, Makati City
12. DASMARIÑAS VILLAGE ASSOCIATION OFFICE - 1417 Campanilla St. Dasmariñas Village, Makati City
13. EASTWOOD CITY WALK 2 - G/F ATM 1 (Fronting Adidas) Eastwood City Walk Phase 2, Eastwood City Cyberpark,. 188 E. Rodriguez Jr. Ave. (C-5 Road), Bagumbayan, Quezon City
14. EASTWOOD CYBERMALL - 2/F Eastwood Cyber Mall Eastwood Ave., Eastwood City Cyber Park, Bagumbayan, Quezon City
15. EASTWOOD MALL - Level 1 ATM 2 Phase 2, Eastwood Mall, E. Rodriguez Jr. Ave. C-5, Bagumbayan, Quezon City
16. GATEWAY MALL - Booth 4, Level 2 Gateway Mall, Cubao, Quezon City
17. GLORIETTA 4 - Between Tequilla Joe's and Banana Leaf, Glorietta 4, Makati City

18. GLORIETTA 5 - Ground Floor, Glorietta 5, Ayala Center, Makati City
19. GREENBELT 3 - Greenbelt 3 Makati Ave. Drop-off Area Makati City
20. GREENHILLS THEATER MALL - Main Entrance, Greenhills Theater Mall, San Juan, Metro Manila
21. JACKMAN EMPORIUM - Jackman Emporium Department Store Bldg. (beside LRT Station and Gotesco Grand Central) Grace Park, Kalookan City
22. JACKMAN PLAZA – MUÑOZ - along EDSA near cor. Congressional Ave., Muñoz, Quezon City
23. JGC ALABANG - JGC PHILS. Bldg., Prime St., Madrigal Business Park-Phase III Ayala Alabang, Muntinlupa City
24. KIMSTON PLAZA - P. Victor St. cor P. Burgos St. Guadalupe, Nuevo, Makati City
25. LANDMARK – TRINOMA - ATM Slot #4, 3rd floor, Landmark - Trinoma, EDSA cor. Mindanao Ave. Extension, Pagasa, Quezon City
26. LANDMARK MAKATI - The Landmark Bldg., Makati Ave., Ayala Center, Makati City
27. LIANAS SAMPALOC- 537 M. Earnshaw, Sampaloc, Manila
28. MALABON CITISQUARE - Malabon Citisquare C4 Road cor. Dagat-Dagatan Ave., Malabon City
29. MARKET! MARKET! 1 - Market! Market! Bonifacio Global City Taguig, Metro Manila
30. MARKET! MARKET! 2 - 2/F, Market! Market! Bonifacio Global City Taguig, Metro Manila
31. MARKET! MARKET! 3 - G/F ATM Center in Fiesta Market Market! Market! Bonifacio Global City Taguig, Metro Manila
32. MEDICAL CITY - Medical City, Ortigas Ave. Pasig City
33. METRO POINT MALL - 3/F, Metro Point Mall EDSA cor. Taft Ave. Pasay City
34. METROWALK - ATM 1 Bldg. C, G/F Metrowalk Commercial Complex Meralco Ave., Pasig City
35. MIDAS HOTEL - previously Hyatt Hotel 2702 Roxas Blvd., Pasay City
36. MRT – BONI - MRT - Boni Station, EDSA, Mandaluyong City
37. MRT – CUBAO - MRT – Cubao Station, EDSA, Quezon City
38. MRT - NORTH AVE. - MRT - North Ave. Station, EDSA, Quezon City
39. MRT – SHAW - MRT - Shaw Station, EDSA, Mandaluyong City
40. NOVA SQUARE - G/F Nova Square, 689 Quirino Highway cor. P. Dela Cruz Brgy. San Bartolome, Novaliches, Quezon City
41. ONE E-COM CENTER - G/F One E-Com Center, Harbor Drive, SM Mall of Asia Complex, Pasay City
42. PEOPLE SUPPORT - ROCKWELL BUSINESS CENTER - Rockwell Business Center Ortigas Ave. Pasig City
43. PUREGOLD – BLUMENTRITT - 286 Blumentritt St., Sta. Cruz, Manila
44. PUREGOLD - E. RODRIGUEZ - ATM # 1 - Cosco Bldg. E. Rodriguez Ave. cor. G. Araneta Ave., Quezon City
45. PUREGOLD – LAKEFRONT- Presidio Sudvision, Lakefront, Muntinlupa City
46. PUREGOLD JR. – PANDACAN - West J. Zamora St., Brgy. 851, Zone 093, Pandacan, Manila
47. PUREGOLD - PASO DE BLAS - cor. Gen. Luis St., Malinta Exit, Valenzuela City
48. ROBINSON'S GALLERIA - L1-181 Robinson's Galleria EDSA cor. Ortigas Ave., Pasig City
49. ROBINSON'S GALLERIA 2 - L1-181 Robinson's Galleria EDSA cor. Ortigas Ave., Pasig City
50. ROBINSONS GALLERIA 3 - West Wing, EDSA cor. Ortigas Ave., Pasig City
51. ROBINSONS PLACE – MANILA - G/F Padre Faura Entrance, Robinsons Place Manila Pedro Gil cor. Adriatico St. Ermita, Manila
52. ROCKWELL - P1 (CONCOURSE) - Stall No. 060 Ground Level Power Plant Mall, Makati City
53. SAVERS CENTER- Ground Floor, Right Side of Main Entrance, Along EDSA near cor. Taft Ave., Pasay City
54. SHOP AND RIDE - #248 Gen. Luis St., Novaliches, Quezon City
55. SHOP AND RIDE 2 - ATM 2, Gen. Luis St., Brgy. Nova Proper, Novaliches, Quezon City
56. SHOPWISE – ANTIPOLO - ML. Quezon St. cor. Circumferential Road, San Roque, Antipolo City
57. SHOPWISE COMMONWEALTH - Blk. 17, Commonwealth Ave., Don Antonio, Quezon City
58. SM HYPERMARKET - Ground Floor, SM Hypermarket, SM Mall of Asia, Pasay City
59. SM HYPERMARKET – MANDALUYONG - 121 Shaw Boulevard cor. E. Magalona St., Mandaluyong City
60. SM MANILA - ATM-3 UG/F Main Entrance, Arroceros Side, SM City Manila
61. SM MEGAMALL BLDG. B - Level 2, Bldg. B, SM Megamall, EDSA cor. Julia Vargas St. Mandaluyong City
62. SM MUNTINLUPA - G/F ATM 2 (beside Rear Entrance), Brgy. Tunasan, National Road, SM Muntinlupa, Muntinlupa City
63. SM TAYTAY – 2nd Floor Bldg. A, SM City Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal
64. SOLAIRE RESORT AND CASINO – Entertainment City, Aseana Blvd. Parañaque City
65. SOUTHGATE MALL - Southgate Mall EDSA cor. Pasong Tamo Extension, Makati City
66. ST. FRANCIS SQUARE - Basement 1, Doña Julia Vargas Ave. cor. Bank Drive, Ortigas Center, Mandaluyong City
67. ST. JUDE COLLEGE - Dimasalang St. cor Don Quijote St., Sampaloc, Manila
68. ST. LUKE'S - QUEZON CITY - St. Luke's Medical Center, Medical Arts Bldg., E. Rodriguez Sr. Boulevard, Quezon City
69. ST. LUKE'S - THE FORT - Basement, St. Lukes Medical Center 5th Ave., The Fort, Taguig City
70. STI – DELOS SANTOS MEDICAL CENTER – 201 E. Rodriguez Sr. Blvd. Brgy. Pamayong Lagi, Quezon City
71. TAFT - U.N. - G/F Times Plaza, T.M. Kalaw cor. Gen. Luna St., Manila
72. THE A VENUE - G/F Valdez Site, The A Venue, 7829 Makati Ave., Makati City
73. TIENDESITAS - Frontera Verde Ortigas Ave. cor. C-5, Pasig City
74. TRINOMA OFF 1 - Level 1 (near Landmark and Chowking), North Ave., cor. Edsa, Quezon City
75. TRINOMA OFF 2 - Level 1 Near X Boutique, North Ave. cor. EDSA, Quezon City
76. TWO SHOPPING CENTER - Two Shopping Center, Pasay Taft Ave. near cor. EDSA, Pasay City
77. UPMC – PGH - Faculty Medical Arts Bldg., PGH Compound, Taft Ave., Manila
78. UST - DOCTOR'S CLINIC - UST Hospital, Vestibule and New Doctor's Clinic, España, Manila
79. UST HOSPITAL - University of Sto. Tomas Hospital, España, Manila
80. UST Hospital 3 - G/F UST Hospital Clinic Division, A.H. Lacson Ave., Sampaloc, Manila
81. VICTORY CENTRAL MALL - G/F, ATM 2 Below Escalator, 717 Old Victory Compound, Rizal Ave., Monumento, Caloocan City
82. VICTORY PASAY MALL – Taft Ave. cor. Libertad St., Pasay City
83. WACK - WACK GOLF AND COUNTRY CLUB - Main Lobby Club house, Wack - Wack Golf and Country Club Shaw Blvd., Mandaluyong City

84. WALTERMART – MAKATI - G/F Waltermart Makati (near Mercury Drug) 790 Chino Roces Ave. cor. Antonio Arnaiz, Makati City
85. WALTER MART NORTH EDSA - Walter Mart Bldg., EDSA, Quezon City
86. WALTERMART – SUCAT - Brgy. San Isidro, Dr. A. Santos Ave., Sucat, Parañaque City
87. ZABARTE TOWN CENTER - 588 Camarin Road, cor. Zabarte Road, North Caloocan City

Provincial

1. 2 MANGO AVENUE – 2 Mango Ave., Solara Bldg. General Maxilom Ave., Cebu City
2. 268 MALL - 268 Mall CK Bldg., Plaridel Extension, Sto. Rosario, Angeles City
3. ABREEZA MALL - J.P. Laurel Ave., Bajada, Davao City
4. AG&P - Atlantic, Gulf and Pacific Company of Manila, Inc., San Roque, Bauan, Batangas
5. ALFAMART - TRECE MARTIRES- CPC Bldg., Hugo Perez, Trece Martires, Cavite
6. ALWANA BUSINESS PARK – National Highway, Brgy. Cugman, Cagayan De Oro
7. ANGEL SUPERMARKET- Luna St., cor. Burgos St., Brgy. Quirino, Solano, Nueva Viscaya
8. ANGELES UNIVERSITY FOUNDATION MEDICAL CENTER - Basement, Angeles Univ Foundation Med Ctr, McArthur Highway, Angeles, Pampanga
9. ARAULLO UNIVERSITY - Maharlika Highway, Bitas, Cabanatuan City
10. ATENEO DE DAVAO UNIVERSITY - Near Main Entrance Along Roxas Ave., Davao City
11. ADVENTIST UNIVERSITY OF THE PHILIPPINES - Adventist University of the Philippines Puting Kahoy Silang, Cavite City
12. BUDGET WISE SUPERMARKET - Veterans Ave., Zamboanga City
13. CALTEX - SLEX 1 - South Luzon Expressway - Northbound Brgy. San Antonio, San Pedro, Laguna
14. CAMAYAN RESORT- Camayan Beach Resort & Hotel, Camayan Wharf, West Ilanin Forest Area, Subic Bay Freeport Zone
15. CB MALL URDANETA - McArthur Highway, Nancayasan, Urdaneta City, Pangasinan
16. CDO MEDICAL CENTER - CDO Medical Center Bldg. 2 Tiano cor. Nacalaban St., Cagayan de Oro City
17. CEBU DOCTORS' HOSPITAL - Cebu Doctors' Hospital, Osmeña Blvd., Cebu City
18. CEBU DOCTORS' UNIVERSITY - #1 Potenciano Larrazabal Ave., North Reclamation Area, Mandaue City
19. CENTRIO MALL – G/F C.M. Recto cor. Corrales St. Cahayan de Oro
20. CORPUS CHRISTI - Corpus Christi School, Tomas Saco St., Macasandig, Cagayan de Oro City
21. NEPO MALL DAGUPAN - G/F Nepo Mall Dagupan, Arellano St., Dagupan City
22. DAVAO ADVENTIST HOSPITAL - KM 7, McArthur Highway, Bangkal, Davao City
23. DIPOLOG CENTER MALL - Dipolog Center Mall, 138 Rizal Ave., Dipolog City
24. DIPSSCOR- DIPSSCOR Bldg. International Port of Davao, Sasa Wharf, Km10 Sasa Davao City
25. DIVINE WORD COLLEGE OF VIGAN- Burgos St. Vigan City, Ilocos Sur
26. DLSU – DASMARINAS - College of Engineering De La Salle University Dasmariñas, Cavite
27. DLSU - HEALTH SCIENCE CAMPUS -De La Salle University Health Campus, Inc. Congressional Road Dasmariñas, Cavite
28. ECCO BLDG. Ground Floor Fil-Am Friendship Highway, Barangay Anunas, Angeles City
29. EMBARCADERO DE LEGAZPI - Ground Level, Victory Village, Legazpi City
30. GAISANO MALL – BULUA - Bulua St., Cagayan De Oro City
31. GAISANO MALL – ILIGAN - G/F Gaisano Citi Super Mall, Iligan City
32. GAISANO LAPU-LAPU CITY - Gaisano Mactan Mall, Pusok, Lapu-Lapu City, Cebu
33. GAISANO MALL - BAJADA DAVAO - Gaisano Mall of Davao, J.P. Laurel Ave., Bajada, Davao City
34. GAISANO MALL - CAGAYAN DE ORO - Unit # 3, 2/L Atrium Gaisano Mall Corrales Extension cor. CM Recto Ave., Cagayan de Oro City
35. GAISANO MALL – TALISAY - G/F Gaisano Fiesta Mall, Tabunok Talisay, Cebu City
36. GALERIA VICTORIA - Balanga, Bataan
37. GOOD SAMARITAN HOSPITAL - Good Samaritan Compound, Burgos Ave., Cabanatuan City
38. HOLY ANGEL UNIVERSITY 2 - G/F Holy Angel University Student's Center Sto. Rosario St., Angeles City, Pampanga
39. JENRA MALL - JENRA Grand Mall, Angeles City, Pampanga
40. JOLLIBEE MABALACAT- McArthur Hi-way, Brgy. San Francisco, Mabalacat City, Pampanga
41. KCC MALL – GENSAN - G/F KCC Mall - GenSan J. Catolico Sr. Ave., General Santos City, South Cotabato
42. KMSCI - Kidapawan Medical Specialist Center Inc., Sudapin, Kidapawan City
43. LA NUEVA MINGLANILLA - La Nueva Supermarket, Poblacion, Minglanilla, Cebu
44. LA NUEVA SUPERMART - La Nueva Supermart, Inc., G.Y. Dela Serna St. Lapu-Lapu, Cebu City
45. LB SUPERMARKET – ZAMBOANGA - Veteran's Ave. Extension, Zamboanga City
46. LCC SUPERMARKET - Peñaranda cor. Rizal St., Legaspi City
47. LEE HYPERMARKET - G/F Lee Hypermarket Valencia Road Bagacay, Dumaguete City, Negros Oriental
48. LEE SUPER PLAZA - G/F Lee Super Plaza, M. Perdices cor. San Jose St., Dumaguete City
49. LIM KET KAI MALL - M4-193B Lim Ket Kai Mall Cagayan de Oro City
50. LOPUE'S EAST CENTER - Lopue's East Centre, Burgos St., cor. Carlos Hilado National Highway, Bacolod City
51. LORMA HOSPITAL - Lorma Hospital City of San Fernando, La Union
52. LOTUS CENTRAL MALL - G/F Lotus Central Mall Nueno Ave., Imus, Cavite
53. MARIA REYNA HOSPITAL - Beside Hospital Entrance/Exit, Maria Reyna Hospital T.J. Hayes St., Cagayan De Oro City
54. MACTAN MARINA MALL - Ground Floor, Mactan Marina Mall, MEPZ1, Lapu-Lapu City
55. MAGIC MALL - G/F cor. ITTI Shoes (Entrance B), Magic Mall, Alexander St., Poblacion, Urdaneta City, Pangasinan
56. MAGIC STARMALL - Upper G/F, Magic Star Mall, Romulo Boulevard, Barangay Cut-Cut 1 Tarlac City
57. MALOLOS-OFF BRANCH - G/F Graceland Mall, BSU Grounds, McArthur Highway, Malolos City, Bulacan

58. MARITON GROCERY - Mariton Grocery, Buntun, Tuguegarao City, Cagayan Valley
59. MARKET CITY - Market City Bldg., Bus Terminal, Agora, Cagayan De Oro
60. MARQUEE MALL 1 - G/F Activity Center Marquee Mall, Don Bonifacio Road, Angeles City, Pampanga
61. MATINA TOWN SQUARE- G/F, Strip Bldg., Matina Town Center, along McArthur Highway, Matina, Davao
62. MINDANAO SANITARIUM AND HOSPITAL - Mindanao Sanitarium and Hospital, Tibanga Highway, Iligan City
63. MJS HOSPITAL - Montilla Boulevard, Butuan City
64. NEPO MALL ANGELES - Nepo Mall Angeles Doña Teresa Ave. cor. St. Joseph St., Nepo Mart Complex, Angeles City
65. NOTRE DAME DE CHARTRES HOSPITAL - Notre Dame De Chartres Hospital, No. 25 Gen. Luna Road, Baguio City
66. NUEVA ECIJA DOCTORS HOSPITAL - Maharlika Highway, Cabanatuan City
67. OUR LADY OF THE PILLAR - G/F near Emergency Room, Tamsui Ave., Bayan Luma, Imus, Cavite
68. ORCHARD GOLF AND COUNTRY CLUB - Gate 2, The Orchard Golf and Country Club Inc., Aguinaldo Highway, Dasmarinas, Cavite
69. OSPA - FMC – Carlota Hills, Brgy. Can-Adieng, Ormoc City, Leyte
70. PACIFIC MALL - Landco Business Park, F. Imperial St. cor. Circumferential Road, Legaspi City
71. PACIFIC MALL 2- Pacific Mall Bldg., Landco Business Park, F. Imperial St., Legazpi City
72. PANGASINAN MEDICAL CENTER - Nable St., Dagupan City
73. PAVILION MALL - G/F Bldg. A, Pavilion Mall Km. 35 Brgy. San Antonio, Biñan, Laguna
74. PURISIMO L. TIAM COLLEGE - PLT Bldg., Dumlao Blvd., Bayombong, Nueva Vizcaya
75. PORTA VAGA MALL- Along Session Road, Baguio City
76. PRINCE MALL – BAYBAY - Andres Bonifacio & Manuel L. Quezon St., Baybay, Leyte
77. PUREGOLD – DAU - Lot 9 Blk 19, McArthur Highway, Dau, Mabalacat, Pampanga
78. ROBINSON'S CALASIAO – San Miguel, Calasiao Pangasinan
79. ROBINSONS GENSAN - G/F near Foodcourt, Robinsons Gensan, Jose Catolico Sr. Ave. Lagao, General Santos City
80. ROBINSONS PLACE – TACLOBAN - G/F National Highway, Tabao, Marasbaras, Tacloban City
81. ROYAL DUTY FREE - Subic Bay Freeport Zone, Zambales
82. SAMULCO- Sta. Ana Multi-Purpose Cooperative, Bldg. 1, Monteverde St.,
83. SAN FERNANDINO HOSPITAL - along McArthur Highway, Dolores, City of San Fernando, Pampanga
84. SAVEWISE – POZORRUBIO- Caballero St., Brgy. Cablong, Pozorrubio, Pangasinan
85. SHOPWISE - SAN PEDRO - Along National Highway, Brgy. Landayan, Pacita, San Pedro
86. SHOPWISE – CEBU - N. Bacalso Ave., Basak, San Nicolas, Cebu City
87. SKYRISE REALTY - Skyrise Realty Development Corporation Lobby G/F Skyrise IT Bldg., Gorordo Ave. cor. N. Escario St. Cebu City
88. SM BAGUIO - SM Baguio Luneta Hill, Upper Session Road cor. Governor Park Road Baguio City, Benguet
89. SM CITY BALIWAG - 1/F near Hypermarket SM City Baliwag DRT Highway, Brgy. Pagala, Baliwag, Bulacan
90. SM CITY CALAMBA - Ground Floor, National Road Brgy. Real, Calamba City, Laguna
91. SM CITY CALAMBA 2 - Second Floor, National Road Brgy. Real, Calamba City Laguna
92. SM CITY CALAMBA 3 - Near Main Entrance, National Road, Brgy. Real, Calamba City, Laguna
93. SM CITY BACOLOD - G/F Bldg. A, ATM # 3, SM City Bacolod Reclamation Area, Bacolod City
94. SM CITY BATANGAS - ATM-1 SM City Batangas Pallocan West, Batangas City
95. SM CITY CAGAYAN DE ORO - ATM Center (2), Main Entrance, SM City Cagayan de Oro
96. SM CITY CLARK OFF-BRANCH - ATM # 1 SM City Clark, (Fronting Transport Terminal) M. Roxas St., CSEZ, Angeles City, Pampanga
97. SM CITY LIPA OFF-BRANCH - ATM 2 (near Transport Terminal) SM City Lipa, Ayala Highway, Lipa City
98. SM CITY DASMARIÑAS - Offsite ATM 2 SM City Dasmariñas Cavite City
99. SM DAVAO - ATM Center (1), SM City Davao, Quimpo Boulevard, Ecoland Subdivision, Barangay Matina, Davao City
100. SM CITY GENERAL SANTOS - SM City General Santos cor. Santiago Blvd. And San Miguel St., Brgy. Lagao, General Santos City, South Cotabato
101. SM LANANG OFF-BRANCH – UGF SM Lanang Premier J.P. Laurel Ave., Davao City
102. SM MARILAO OFFSITE - ATM-1 SM City Marilao, Marilao, Bulacan
103. SM MARKET MALL- Congressional Ave., Dasmarinas Bagong Bayan, Dasmarinas, Cavite
104. SM SUPERCENTER MOLINO - G/F SM Supercenter Molino, SMC, Brgy. Molino 4, Molino Road, Bacoar, Cavite
105. SM CITY TARLAC - G/F SM City Tarlac, McArthur Highway, San Roque, Tarlac City
106. SOCSARGEN COUNTY HOSPITAL- Socsargen County Hospital, Bula-Lagao Road cor. L. Arradaza St., General Santos City
107. SOUTHWAY MALL - Southway Square Mall cor. Gov. Lim Purisima and Magno Sts., Zamboanga City
108. STA. ROSA HOSPITAL - RSBS Blvd., Balibago, City of Sta. Rosa, Laguna
109. TARGET MALL 1 - G/F near Star Search Sta. Rosa Commercial Complex, Brgy. Balibago, Sta. Rosa, Laguna
110. TARGET MALL 2 - ATM-04, Canopy Area Sta. Rosa Commercial Complex, Brgy. Balibago, Sta. Rosa, Laguna
111. THE DISTRICT- Aguinaldo Hi-way cor. Daang Hari Road, Brgy. Anabu II-D, Imus Cavite
112. UNION CHRISTIAN COLLEGE - Widdoes St. Brgy. II San Fernando La Union City
113. UNIVERSITY OF BOHOL - University of Bohol along M. Clara St., Tagbilaran City
114. UNIVERSITY OF SAN CARLOS - University of San Carlos Main University Bldg. P. del Rosario St. Cebu City
115. WALTER MART CALAMBA - G/F Waltermart Calamba Real St., Brgy. Real, Calamba City, Laguna
116. WALTERMART – CARMONA - Ground Floor, Waltermart Center - Carmona, Macaria Business Center, Governor's Drive, Mabuhay, Carmona, Cavite
117. WALTER MART DASMARIÑAS - G/F Barrio Burol, Aguinaldo Highway, Dasmariñas, Cavite
118. WALTERMART - GEN. TRIAS - Governor's Drive, Gen. Trias, Cavite
119. WALTERMART - SAN FERNANDO - Brgy. San Agustin, McArthur Highway, San Fernando, Pampanga
120. WALTERMART - STA. ROSA 1-Upper G/F Waltermart Center - Sta. Rosa Natl Hwy Mall Entrance San Lorenzo Vill., Balibago Rd, Sta. Rosa, Laguna
121. WALTERMART - STA. ROSA 2-Upper G/F Waltermart Center-Between Goldilocks and Mall Exit San Lorenzo Vill., Balibago Rd, Sta. Rosa, Laguna

122. WALTERMART – TANAUAN- J. P. Laurel National Highway, Brgy. Darasa, Tanauan, Batangas
123. WESLEYAN UNIVERSITY - Wesleyan University of the Philippines, Mabini Extension, Cabanatuan City
124. XAVIER UNIVERSITY - G/F Library Annex, Xavier University, Corrales Ave., Cagayan De Oro City
125. YUBENCO STARMALL - MCLL Highway, Putik, Zamboanga City
126. ZAMBOANGA PENINSULA- MCLL Putik Highway, Putik, Zamboanga City

China Bank Savings - Off Branch ATM Directory

1. SAVEMORE MARKET PLACE – A. Venue, Makati Ave.. Poblacion, Makati City

Planters Development Bank - Off Branch ATM Directory

1. CP REYES - CP Reyes Medical hospital Bldg., A Mabini Ave., Tanauan City, Batangas (Sto Tomas Branch)
2. RIS - RIS DEVELOPMENT CORPORATION - 168 Mercado St Tabe, Guiguinto, Bulacan 03015 (Balagtas Branch)
3. ZAMECO - ZAMECO II Head Office Compound, National Road, Brgy. Magsaysay, Castillejos, Zambales (Olongapo Branch).
4. JOLLIBEE - McArthur Highway cor. Diego Silang & Biak Na bato St. Lourdes Sur East, Angeles City, Pampanga c-2009 (Angeles Branch)

(e) Status of Publicly Announced New Products and Services

<i>Product</i>	<i>Status</i>
Intermediate Fixed Income Fund	Fully operational
Short-term Fund	Fully operational
Cash Acceptance Machine	Fully operational

(f) Competition

As of December 2014, there were approximately 36 universal and commercial banks (U/KB), of which 17 are private domestic commercial banks, 16 are branches/subsidiaries of foreign banks and 3 are government-controlled banks.

Based on the published Statement of Conditions (SOCs) as of December 2014, key financial indicators such as assets, net and gross loans, deposits, investment securities and equity posted positive growths for the U/KB industry vis-à-vis last year. Total assets reached P10.85 trillion, a 12.42% growth from P9.65 trillion last year. The top banks namely BDO Unibank, Inc., Metrobank, BPI, Landbank and PNB comprised 60.37% of the total assets.

Loans (net) of the U/KB banking industry grew by 20.45% to P5.29 trillion. Total deposits were registered at P8.25 trillion, up by 12.85% from P7.31 trillion in 2013. Top 5 banks comprised 63.20% of the total deposits. Meanwhile, total equity of the U/KB banking industry stood at P 1.10 trillion, up by 18.42% from last year's P926.79 billion. Average gross non-performing loan (NPL) ratio (parent only) improved to 1.82% in December, lower than the 2.13% from previous year. As of December 2014, the capital adequacy ratio (CAR) of local banks on a consolidated basis averaged 15.53% for Tier 1 and 17.88% for Total CAR.

For 2014, the Philippine banking system continued to be sound and stable, with strong financial growth, low NPL ratios and sufficient Capital Adequacy Ratios With the Basel III capital adequacy standards in effect at the beginning of the year, Banks became more focused in strengthening their capital levels, via stock rights or issuance of Basel III Tier 2 notes, in a way to support their business and network expansion programs. The Monetary Board approved the adoption of a prudential Real Estate Stress Test (REST) limit for Philippine banks to assure their resistance to real estate risks and to determine whether the capital level of a bank is sufficient to absorb the credit risk to real estate exposure. At the end of the year, the monetary board approved the implementing rules and regulations (IRR) of Republic Act 10641 which allows full entry of banks in the Philippines, meaning additional foreign banks can now apply to operate in the Philippines either as a branch or as a wholly-owned subsidiary.

China Bank consistently delivered value to its clients & stakeholders in terms of market capitalization and shareholder returns. Based on the published Statement of Condition (SOCs) as of Dec 2014, CHIB ranked 7th on universal and commercial banks with assets of P471.04 billion and was the 6th largest bank in terms of market value. The bank's gross NPL ratio (parent only) improved to 1.58% end-2014 from 1.92% in the previous year. Branch network expanded by 103 branches (CBC opened 19 branches, CBS added 6 branches and the recent acquisition of PDB added 78 branches) to total 470 by year-end 2014.

(g) Transactions with and/or dependence on related parties

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and their related interest (DOSRI). These loans and other

transactions in accordance with the Bank's policy should be reviewed by the Related Party Transaction Committee to ensure that they are conducted at arm's length at fair market prices and upon terms not less favorable to Bank than those offered to others and in compliance with all regulatory requirements. Related party transactions are presented the stockholders during the annual stockholders' meeting for ratification.

(h) Trademarks, Licenses, Franchises, etc.

China Bank is operating under a universal banking license obtained in 1991. Over the years, China Bank has registered its corporate brand, slogan and product trademarks with the Intellectual Property Office (IPO) of the Philippines – Bureau of Trademarks, as follows:

- China Bank www.chinabank.ph Since 1920
Your Success is our Business and logo
- CBC Chinabank On-Time Remittance
- CBC Chinabank Money Plus Savings
- China Bank Peso Savings Account
- China Bank Online Center
- CBC Chinabank Treasury Investments
- CBC Chinabank GS Fund
- CBC Chinabank Private Banking
- China Bank Online
- CBC Chinabank Diamond Savings Account
- CBC Chinabank Euro Time Deposit Account
- CBC Chinabank Dollar Fund
- China Check Plus and Device
- CBC Chinabank Tellerphone
- CBC Chinabank Tellercard
- CBC China Bank Irrevocable Life Insurance
Trust & Device
- CBC Chinabank Escrow Agency Service-
POEA
- CBC China Bank Escrow Agency Service
Capital Gains Tax & Device
- CBC China Bank Cash Management
Services & Device
- CBC China Bank Check Write Plus & Device
- CBC China Bank Check Depot & Device
- CBC China Bank Upload Pro & Device
- CBC China Bank Sure Sweep & Device
- CBC China Bank Sure Collect & Device
- CBC China Bank Bills Pay Plus & Device
- China Bank Home Plus
- China Bank Auto Plus
- Chinabank Corporate IBFT
- China Bank Corporate Bills Payment
- China Bank ACA Auto-Credit Arrangement
- China Bank ADA Auto-Debit Arrangement

All the Bank's trademark registrations are valid for 10 years with expiration dates varying from 2018 to 2024. The Bank closely monitors the expiry and renewal dates of these trademark names to protect the Bank's brand equity.

(i) Sources and Availability of raw materials and the names of principal suppliers.

Not applicable.

(j) Disclose how dependent the business is upon a single customer or a few customers.

Not applicable.

(k) Need for any government approval of principal products or services.

The Bank secures BSP approval of all its products and services, as required.

(l) Effect of existing or probable governmental regulations on the business.

The Bank strictly complied with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of reserves, liquidity position, capital adequacy, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

(m) Amount spent on research and development activities

(In '000)	2014	2013	2012
Education & Training	29,245	26,714	24,225
Advertising Expenses	18,747	18,037	26,926
Technology	351,154	309,982	100,500

(n) Cost and effect of compliance with environmental laws. Not applicable.

(o) Total number of employees

Below is the breakdown of the manpower complement in 2014 as well as the projected headcount for 2015:

	2015			2014		
	Officers	Staff	Total	Officers	Staff	Total
Marketing	1,602	1,082	2,684	1,155	838	1,993
Operations	809	2,511	3,320	675	2,709	3,384
Support	797	746	1,543	484	999	1,483
Technical	364	216	580	156	229	385
Total	3,572	4,555	8,127	2,470	4,775	7,245

The CBC Employees Association (CBCEA) members have an existing Collective Bargaining Agreement with the CBC Employees Association (CBCEA) for the period 01 August 2012 to 01 August 2015.

(p) Risk Management

Risk Management

We recognize that the business of banking necessarily entails risk, and that proper risk mitigation, not outright risk avoidance, is the key to long-term success. Our risk management principle centers on determining how much risk we are willing to bear for a given return, deciding if the risks represent viable opportunities, and finding intelligent approaches to managing risks. Our corporate governance structure keeps pace with the changing risks that China Bank faces and will be facing in the coming years with a dynamic risk management program that calls for the continuing reassessment of risks and controls and the timely reporting of these risks to the Board.

As mandated under existing regulations, the Board is responsible for the approval and overseeing the implementation of risk management policies. The Board has delegated this function to the Risk Management Committee (RMC) which includes among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits. The RMC regularly reviews China Bank's risk profile and the effectiveness of risk management systems. Moreover, internal auditors test and evaluate our risk management program to determine effectiveness and communicate the results to the Board and the Audit Committee.

The Risk Management Group (RMG), headed by our chief risk officer, First Vice President Ananias S. Cornelio III, is responsible for executing the risk management function and the guidelines set by the RMC, including the identification and evaluation on a continuous basis of all considerable risks to the business, and challenging business lines on all aspects of risks arising from the Bank's activities.

In 2014, RMG continued to strengthen China Bank's risk management framework to effectively assess, manage, and monitor risks across a broad range of activities. Major initiatives were taken to increase the technical capacity of the group in credit risk model development and validation. Foundation for the Bank's adoption of the Basel III framework on liquidity risk management has been prepared. Core system testing on disaster preparedness was also completed.

Market and Liquidity Risk

The objective of our market risk policies is to obtain the best balance of risk and return while meeting our stakeholders' requirements. Meanwhile, our liquidity risk policies center on maintaining adequate liquidity at all times to be in a position to meet all obligations as they fall due. RMG continued to implement its roadmap in 2014 including enhancements and projects in support of these objectives.

Budget and capital considerations (Pillar II guidelines) are now effectively embedded into risk taking activities via the Value-at-Risk (VaR) limits. The annual VaR Limits review incorporates the impact of the 1-day and 10-day VaR on Capital Adequacy Ratio (CAR) as a basis for establishing limits, in addition to the annual trading budget

and the Bank's risk tolerance. Aside from using VaR as a risk metric, market risk is adequately managed through a risk management framework comprising of limits, triggers, monitoring and reporting procedures.

China Bank's application for Type 2 Derivatives license was approved by the BSP in 2014. The guidelines for trading financial derivatives, Product Programs and models for measuring and monitoring market risk exposures on these derivative products are in place. Historical Simulation VaR has also been applied for financial derivatives instruments, including Interest Rate Swaps and Foreign Exchange Swaps and Forwards. Only the standard products, such as bonds, remain under Parametric VaR.

For interest rate risk, the Earnings-at-Risk (EaR) estimates using actual interest rate volatilities and non-parallel yield curve shifts have been included in the regular reporting to the RMC to supplement the Bank's EAR analysis. RMG is also exploring other systems capable of generating other metrics, such as the measurement of Balance Sheet VaR, to further enhance its analysis of the Bank's accrual portfolio

Aside from the Maximum Cumulative Outflow (MCO) model used for liquidity risk monitoring, RMG formed a team to spearhead the Bank's adoption of Basel III International Framework for Liquidity Risk Measurement, Standards and Monitoring in 2014. The team includes representatives from Treasury and Accounting which are responsible for managing the Bank's liquidity and financial regulatory reporting. RMG provides Management with regular estimates of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on its interpretation of the Basel III framework and using available data pending guidelines from the local supervisor.

The measurement of balance sheet interest rate and liquidity risk exposures are automated through the Asset and Liability Management (ALM) system that was implemented in 2013. This important information on the Bank's exposures generates insights that lead to the formulation of timely and effective interest rate strategies and funding plans.

In 2014, the internal risk measurement models – VaR, EaR and MCO were independently validated by the Bank's Internal Audit Division (IAD). In the prior year, the Bank engaged the services of an external consultant for the independent validation of these risk measurement models. Included in the engagement was the capacity building of the IAD to perform model validations.

On stress testing, RMG continued using an Integrated Stress Testing framework (IST) for the January 2015 ICAAP submission in assessing the ICAAP adjusted capital charge, in addition to the various silo stress tests already in place such as Volatility, Uniform, and Reverse Stress Tests. Instead of the previous Internal Models Approach that only determines the capital charge of individual risks on a silo basis, the IST framework allows us to evaluate China Bank's overall vulnerabilities on specific events or crisis and gauge the Bank's ability to withstand stress events. The IST market risk capital requirements are based on the impact of adverse changes in market risk factors that could potentially affect the Bank's trading and investment portfolios.

Credit Risk

Our policies for managing credit risk are determined at the business level with specific procedures for different risk environments and business goals.

For 2014, RMG dedicated a significant amount of time and effort in assessing the reliability of our Internal Credit Risk Rating System (ICRRS) specific to corporate accounts. The Bank's effort was supported by Moody's Analytics which conducted the third-party qualitative and quantitative validation of the ICRRS. The subsequent stage of the engagement will cover the recalibration of the ICRRS. In line with this initiative, RMG prepared an enterprise-wide roadmap for the development and alignment of all the credit scoring methods being used by China Bank and our subsidiary banks. Among the objectives of having a unified credit risk rating platform is to have a consistent methodology in evaluating a borrower's credit-worthiness across the organization covering the different segments such as commercial, consumer, financial institutions and sovereign credits.

We also strengthened the management of large exposures and concentration risk with the implementation of BSP Circular No. 839 which requires the stress testing of the Bank's exposures to real estate and other real estate properties. RMG likewise quantified the impact to the capital ratios of the Bank based on the guidelines provided in the BSP exposure draft on Leverage Ratio Framework. In addition, consolidated credit exposures are now provided in the Management and Board-level reports to include relevant information pertaining to the lending activities of the subsidiary banks.

The Credit Review and Control Department (CRCD), the credit examination arm of RMG, completed in 2014 the review of eight lending units from Institutional Banking Group and Retail Banking Business group. These lending units accounted for 41% of the Bank's total loan portfolio as of September 30, 2014. The standard credit examination covers the assessment of loan portfolio quality and adherence to existing credit policies and procedures. Areas requiring immediate attention were also covered during the year such as the impairment methodology of the Consumer Banking Group and Sales Contract Receivables.

For the subsequent year, major activities will focus on the initial stage of implementation of the RMG credit risk rating model development roadmap and efforts to comply with the BSP Circular No. 855 (Guidelines on Sound Credit Risk Management Practices; Amendment to the Manual of Regulations for Bank and Non-Bank Financial Institutions). Specific action plans are to be taken up with Senior Management and the Board of Directors with the objective of meeting the 2-year timeline set by the regulators.

Operational and IT Risk

We have a framework of policies, procedures, and tools to ensure that China Bank's operational and IT risks are managed in a timely and efficient manner. RMG continued to effectively assess, monitor, control, and report such risks, implementing new projects and improvements in 2014, with emphasis on improving the Bank's disaster preparedness.

In line with our Business Continuity Plan (BCP), China Bank's first fully equipped Business Recovery Center (BRC) was opened on July 26, 2013 at the China Bank Building in Binondo. While the BRC addresses the business component of the BCP, the Disaster Recovery Plan (DRP) addresses the technology component. The data recovery equipments are available in a separate facility which is the Disaster Recovery Center (DRC) in Alabang. Both facilities ensure that China Bank is adequately prepared for disaster recovery and business resumption. The BRC can accommodate critical units of the Bank to recover from an unexpected business interruption. Equipped with workspaces, computer and communication systems, the facility can support parallel operations 24x7.

Towards the end of 2014, RMG facilitated a comprehensive testing of the Head Office Integrated BCP. Highlighted in the activity are the network connectivity and recovery point testing and full cycle end-to-end data processing of participating units. Efforts are continually being exerted to align the Recovery Time Objective (RTO) under the DRP with the requirements of the critical business and operating units using the Business Impact Assessment (BIA). Alongside the Bank's IT Audit and Information Security Office, the disaster preparedness was thoroughly assessed, covering both infrastructure and procedural matters. Standards set under existing regulations and industry best practices were used to benchmark the Bank's ability to respond to pre-determined events.

Trust Risk

On August 17, 2012, BSP came out with Circular 766, Guidelines in Strengthening Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business, and Investment Management Activities. The circular mandates Trust entities to "develop and implement a formal, comprehensive, and effective risk management program that outlines, among other things, the risk management processes that effectively identify, measure, monitor and control risks affecting the clients and the Trust Entity." In line with this, RMG continued to strengthen China Bank's risk management practices on Trust by enhancing the policies, processes, and procedures for market risk, liquidity risk, credit risk, operational risk and compliance risks specific to the Trust Group. In 2014, Legal, Strategic and Reputational Risks were also incorporated in the Trust Risk Management Guidelines.

(q) Additional requirements as to certain issues or issuers. Not Applicable

- (i) Debt Issues
- (ii) Investment Company Securities

Item 2. Properties

(a) Principal Properties Owned

The Bank conducts its business in its Makati headquarters situated on a 2,977 square meter lot (2 parcels) with a multi storey building appraised at P1.8 BN, with business address at 8745 Paseo de Roxas cor. Villar St., Makati City. Its Binondo Business Center is located at a 1,233 sq. m. lot at the corner of Dasmariñas and Juan Luna streets (4 parcels of land with two multi-storey commercial buildings). China Bank Savings Head Office is situated on a 2,400 square meter lot (2 parcels) with a multi storey building with business address at 6722, Ayala Avenue, Makati City. Plantersbank Head Office is situated at a 1,435 square meter lot with a multi storey building having a total floor area of 13,759.82 square meters. Business address is at 314 Plantersbank Building, Sen. Gil J. Puyat Avenue, Makati City. The average lease period of branches is 7 years and the average annual rental fee is around P1.2 million.

China Bank

(i) Bank-owned Properties - Metro Manila & Provincial Branches

BRANCH	LOCATION
1 Angeles City	CBC-Building, 949 Henson St., Angeles City
2 Araneta Ave	Philippine Whithasco Bldg. 420 Araneta Avenue, cor. Bayani St., Quezon City
3 Asuncion	Units G6 & G7 Chinatown Steel Towers, Asuncion St., San Nicolas, Manila
4 Bacolod – Araneta	CBC-Building, Araneta corner San Sebastian Streets, Bacolod City
5 Banawe	CBC Building, 680 Banawe Avenue, Sta. Mesa Hts. District I, Quezon City
6 Butuan	CBC-Building J.C. Aquino Ave. Butuan City
7 Cabanatuan - Maharlika	CBC-Building, Maharlika Highway Cabanatuan City
8 Cagayan De Oro - Lapasan	CBC Building, Claro M. Recto Avenue, Lapasan, Cagayan de Oro City
9 Cainta	CBC Bldg (Beside Sta. Lucia East Mall) Felix Ave. (Imelda Ave.), Cainta, Rizal
10 Catbalogan	CBC-Building Del Rosario St. cor. Taft Ave., Catbalogan City
11 Cavite - Dasmariñas	CBC-Building, Gen. E. Aguinaldo Highway, Dasmariñas, Cavite
12 Cavite – Imus	CBC-Building, Nueno Avenue Tandang Luma, Imus, Cavite
13 Cavite – Rosario	CBC-Building, Gen Trias Drive, Rosario, Cavite
14 Cebu – Banilad	CBC-Building AS Fortuna St. Banilad Cebu City
15 Cebu – Guadalupe	CBC Building, M. Velez Street, cor. V. Rama Ave., Guadalupe, Cebu City
16 Cebu – Magallanes	CBC-Building, Magallanes corner Jakosalem Sts., Cebu City
17 Cebu – Talisay	CBC-Building., 1055 Cebu South National Road Bulacao, Talisay City, Cebu
18 Cebu Business Center	CBC-Building, Samar Loop corner Panay Road, Cebu Business Park, Cebu City
19 Cubao Aurora	911 Aurora Blvd Ext. corner Miami Street, QC
20 Davao – Recto	CBC-Building, C.M. Recto Ave. cor. J. Rizal St. Davao City
21 Dipolog City	CBC Building, Gen Luna corner Gonzales Streets, Dipolog City
22 Divisoria Sta. Elena	Unit G22 New Divisoria Condominium Ctr, Sta. Elena St. near cor Tabora St., Binondo, MM
23 Dumaguete City	CBC-Building Real St., Dumaguete City
24 E. Rodriguez Sr. Blvd	CBC Bldg., #286 E. Rodriguez Sr. Blvd., Brgy. Damayang Lagi, Quezon City
25 Gen. Santos City	CBC-Building, I. Santiago Blvd., Gen. Santos City, South Cotabato
26 Iloilo – Rizal	CBC-Building Rizal cor. Gomez Sts., Brgy. Ortiz, Iloilo City
27 Kalookan	CBC Bldg., 167 Rizal Avenue Extension Grace Park, Kalookan City
28 Katipunan-St. Ignatius Branch	CBC Bldg., No. 121 Katipunan Ave. Bgy. St. Ignatius, Quezon City
29 Las Piñas	CBC- Bldg., Alabang-Zapote Road cor. Aries St., Pamplona Park Subd., Las Piñas City
30 Legaspi Village - AIM	G/F Cacho-Gonzales Building, 101 Aguirre cor. Trasierra Sts, Legaspi Vill., Makati City
31 Legaspi Village - Salcedo	G/F Fedman Suites, 199 Salcedo Street Legaspi Village, Makati City
32 Malabon - Gov. Pascual Ave.	Gov. Pascual Ave., Malabon City
33 Malabon - Potrero	CBC Bldg., McArthur Highway, Potrero, Malabon
34 Mandaluyong - Boni Ave	G/F VOS Bldg. Boni Avenue corner San Rafael Street Mandaluyong City
35 Mandaluyong - Pioneer	UG-05 Globe Telecom Plaza Tower I Pioneer Street, Mandaluyong City

	BRANCH	LOCATION
36	Ormoc City	CBC-Building, Real cor. L. Jaena Sts., Ormoc City
37	Ortigas - ADB Ave.	LGF City & Land Mega Plaza ADB Ave. cor. Garnet Rd. Ortigas Ctr. Pasig City
38	Ortigas - Jade Drive	Unit G-03, Antel Global Corporate Center Jade Drive, Ortigas Center, Pasig
39	Pasay - Roxas Blvd.	GF Unit G-01 Antel Seaview Towers 2626 Roxas Blvd., Pasay City
40	Pasay -Libertad	CBC-Building, 184 Antonio Arnaiz Avenue (Formerly Libertad), Pasay City
41	Pasong Tamo - Cityland	Units UG29-UG32 Cityland Pasong Tamo Tower 2210 Pasong Tamo St., Makati City
42	Quiapo	216-220 Villalobos St., Quiapo, Manila
43	Roosevelt	CBC Bldg., #293 Roosevelt Ave., San Francisco Del Monte, Quezon City
44	Salcedo Village - Tordesillas	G/F Prince Tower Condominium 14 Tordesillas St., Salcedo Village, Makati City
45	Salcedo Village - Valero	Valero Tower, 122 Valero Street Salcedo Village, Makati City
46	San Fernando	CBC-Building, V. Tiomico Street San Fernando, Pampanga
47	San Fernando - Dolores	CBC-Building, McArthur Highway, Dolores, City of San Fernando, Pampanga
48	San Juan	17 (new) F. Blumentritt St., San Juan, M. M.
49	Shaw - Haig	G/F First of Shaw Bldg, Shaw Blvd. corner Haig St, Mandaluyong City
50	Shaw- Summit One	Unit 102 Summit One Office Tower 530 Shaw Boulevard Mandaluyong City
51	Sorsogon	CBC Building, Ramon Magsaysay Avenue Sorsogon City, Sorsogon
52	Tarlac	CBC Building, Panganiban near corner F. Tanedo Street, Tarlac City, Tarlac
53	Timog Avenue	G/F Prince Jun Condo., 42 Timog Ave., Q.C.
54	Valenzuela	CBC-Bldg., Mc Arthur Highway cor. V. Cordero St, Marulas, Valenzuela City
55	Visayas Ave.	CBC-Building, Visayas Avenue corner Congressional Ave. Ext, Quezon City
56	West Ave.	82 West Avenue, Quezon City
57	Zamboanga City	CBC-Building, Gov. Lim Avenue corner Nunez Street, Zamboanga City

China Bank

(ii) Leased Properties – Metro Manila & Provincial Branches

	BRANCH	LEASE COMMENCEMENT DATE	LEASE EXPIRATION DATE	MONTHLY RENT
1	999 Mall (formerly Tutuban Center)	November 27, 2012	November 26, 2017	149,631.30
2	Angeles City- Marquee Mall	October 1, 2014	September 30, 2015	134,163.30
3	Angeles City-Balibago	August 10, 2011	August 9, 2021	115,762.50
4	Angeles- Sto. Rosario	May 1, 2012	April 30, 2022	64,000.00
5	Angeles-McArthur Highway	September 1, 2009	August 31, 2024	82,958.30
6	Antipolo City	January 1, 2015	December 31, 2024	102,000.00
7	Antipolo- Sumulong Highway	July 16, 2014	July 15, 2024	50,000.00
8	Antique- San Jose	June 1, 2010	May 31, 2020	29,400.00
9	Apalit	January 1, 2011	December 31, 2030	33,600.00
10	Arranque	August 1, 2013	July 31, 2016	173,195.71
11	Ayala-Alabang	January 1, 2015	December 31, 2024	231,000.00
12	Ayala-Columns	October 1, 2014	September 30, 2015	95,610.42
13	Bacolod- Libertad	July 1, 2012	June 30, 2022	42,000.00
14	Bacolod-Mandalagan	January 1, 2012	December 31, 2021	40,618.43
15	Bacolod-North Drive	June 1, 2010	May 31, 2020	57,881.25
16	Baguio City	January 1, 2015	December 31, 2015	184,600.00
17	Baguio City-Abanao	March 1, 2009	March 1, 2019	67,004.78
18	Balanga City	January 1, 2012	December 31, 2021	109,638.27
19	Baler	December 1, 2013	November 30, 2023	40,000.00
20	Balintawak-Bonifacio	May 1, 2012	April 30, 2022	62,053.13
21	Baliwag	January 1, 2008	December 31, 2018	63,319.52
22	Balut	August 1, 2013	July 31, 2018	131,578.95
23	Banawe Ma. Clara	April 16, 2008	April 15, 2016	134,009.60
24	Batangas- Bauan	December 16, 2012	December 15, 2022	69,457.50
25	Batangas City	November 1, 2012	October 31, 2022	84,000.00
26	Batangas- Lemery	May 1, 2013	April 30, 2023	63,000.00
27	Batangas- Rosario	December 1, 2014	November 30, 2024	60,000.00
28	Batangas- Tanauan	October 1, 2014	September 30, 2024	55,000.00
29	Baybay	July 16, 2008	July 15, 2018	40,681.47
30	Bel-Air	January 1, 2007	December 31, 2016	79,177.54

	BRANCH	LEASE COMMENCEMENT DATE	LEASE EXPIRATION DATE	MONTHLY RENT
31	Better Living Subdivision	May 1, 2009	April 30, 2019	87,854.48
32	Bf Homes	January 16, 2005	January 15, 2015	96,034.60
33	BF Homes Aguirre	February 1, 2009	January 31, 2019	100,836.33
34	BF Resort Village	December 1, 2012	November 30, 2017	137,895.84
35	Blumentritt	January 6, 2007	January 5, 2017	57,484.02
36	Bo. Kapitolyo	August 1, 2013	July 31, 2015	100,000.00
37	Bonny Serrano	July 5, 2008	July 4, 2016	78,596.61
38	Borongan	January 28, 2009	January 27, 2019	34,681.56
39	Bulacan- Balagtas	January 1, 2015	December 31, 2024	27,000.00
40	Bulacan- Sta. Maria	September 1, 2012	September 1, 2022	66,150.00
41	Cabanatuan City	June 16, 2006	June 15, 2016	92,340.97
42	Cabu- IT Park	September 1, 2013	August 31, 2018	111,096.83
43	Cagayan De Oro - Divisoria	December 1, 2012	November 30, 2017	103,337.46
44	Cagayan De Oro-Borja	February 1, 2010	January 31, 2015	57,750.00
45	Cagayan De Oro-Carmen	December 1, 2007	November 30, 2017	65,781.94
46	Calapan City	April 17, 2008	April 16, 2016	107,207.65
47	Candon City	December 1, 2013	November 30, 2033	31,578.95
48	Capitol Hills	November 1, 2013	October 31, 2018	88,313.39
49	Carmona	March 20, 2008	March 19, 2018	55,235.25
50	Catarman	October 3, 2007	October 2, 2017	32,410.71
51	Cauayan City	August 1, 2011	July 31, 2016	74,057.91
52	Cavite- Molino	August 16, 2012	August 12, 2024	58,800.00
53	Cavite- SM City Bacoar	August 1, 2012	July 31, 2017	226,681.00
54	CDO- Gaisano City Mall	November 15, 2012	November 14, 2022	60,652.80
55	Cebu- Bogo	February 1, 2014	January 31, 2024	25,000.00
56	Cebu- Carcar	September 1, 2007	August 31, 2017	56,284.02
57	Cebu- Consolacion	June 1, 2012	April 30, 2017	188,428.20
58	Cebu- Escario	May 1, 2012	May 10, 2022	88,200.00
59	Cebu- Gorordo	October 1, 2013	September 30, 2023	56,700.00
60	Cebu- Naga	September 20, 2013	September 19, 2023	48,840.00
61	Cebu- Talamban	December 1, 2012	November 30, 2017	69,034.58
62	Cebu-F. Ramos	August 1, 2011	July 31, 2016	90,713.70
63	Cebu-Lahug	March 29, 2013	March 28, 2023	94,594.50
64	Cebu-Lapu Lapu	May 15, 2010	May 14, 2020	82,249.26
65	Cebu-Mandaue	November 1, 2007	November 30, 2015	103,681.08
66	Cebu-Mandaue Cabancalan	November 1, 2009	October 31, 2019	70,833.63
67	Cebu-Mandaue J Centre Mall	September 30, 2011	September 29, 2016	107,295.30
68	Cebu-Mandaue North Road	February 1, 2008	January 31, 2016	105,321.31
69	Cebu-Minglanilla	May 1, 2011	April 30, 2021	48,533.43
70	Cebu-SM City	May 1, 2011	April 30, 2016	323,759.50
71	Cebu-Subangdaku	October 1, 2006	September 30, 2016	79,087.55
72	Commonwealth Ave	December 2, 2013	December 1, 2016	95,835.60
73	Congressional Ave	January 1, 2010	December 31, 2019	52,111.85
74	Corinthian Hills	May 1, 2006	April 30, 2016	128,615.33
75	Cotabato City	April 1, 2012	March 31, 2017	63,157.89
76	Cubao-Araneta	April 1, 2013	March 31, 2014	145,824.85
77	D. Tuazon	June 1, 2012	May 31, 2015	98,398.13
78	Daet	October 1, 2013	September 30, 2023	70,000.00
79	Dagupan- Perez	May 1, 2009	April 30, 2017	140,391.97
80	Dagupan-M.H. Del Pilar	September 1, 2009	August 31, 2019	89,339.71
81	Dasmariñas Village	May 16, 2013	May 15, 2023	109,380.00
82	Davao- Buhangin	July 1, 2007	June 30, 2017	46,585.00
83	Davao- Lanang	September 1, 2007	August 31, 2017	46,585.00
84	Davao- Ma-A	December 1, 2014	November 30, 2024	54,000.00
85	Davao- Panabo	September 1, 2013	August 31, 2023	38,400.00

	BRANCH	LEASE COMMENCEMENT DATE	LEASE EXPIRATION DATE	MONTHLY RENT
86	Davao- SM Lanang	September 28, 2012	September 30, 2017	224,748.50
87	Davao-Bajada	May 16, 2005	May 15, 2015	64,072.27
88	Davao-Matina	November 16, 2007	November 15, 2017	73,705.26
89	Davao-Sta. Ana	October 1, 2011	September 30, 2016	182,846.87
90	Davao-Tagum	November 2, 2012	November 1, 2022	40,000.00
91	Davao-Toril	March 1, 2011	February 28, 2026	42,649.35
92	Del Monte - Matutum	March 16, 2009	March 15, 2017	113,908.13
93	Del Monte Ave	March 1, 2013	February 28, 2023	137,762.63
94	Don Antonio	October 23, 2013	October 22, 2018	69,068.02
95	E. Rodriguez- Hillcrest	December 1, 2009	November 30, 2019	48,620.25
96	Eastwood City	April 1, 2008	March 31, 2016	192,997.89
97	EDSA- Kalookan	September 9, 2010	September 8, 2020	81,033.75
98	Edsa-Timog	February 15, 2011	February 14, 2021	165,615.16
99	Elcano	May 1, 2014	April 30, 2024	47,040.09
100	Ermila	April 16, 2013	April 15, 2018	269,165.11
101	Espana	December 1, 2012	November 30, 2017	94,036.52
102	Evangelista	December 1, 2008	November 30, 2016	125,633.97
103	Examiner	August 16, 2011	August 15, 2019	109,122.07
104	Fairview	November 16, 2011	November 15, 2016	69,068.02
105	Filinvest Corporate City	August 16, 2012	August 15, 2015	175,420.64
106	Fort Bonifacio Global City	October 16, 2008	October 15, 2016	231,960.50
107	Gapan	March 2, 2008	March 1, 2013	71,214.50
108	Gil Puyat Avenue	March 1, 2014	February 28, 2022	135,000.00
109	Greenbelt 1	November 26, 2014	December 31, 2015	199,267.64
110	Greenhills	January 1, 2013	December 31, 2015	507,816.00
111	Greenhills-Ortigas	April 1, 2013	March 31, 2023	330,750.00
112	Guagua	January 1, 2014	December 31, 2024	80,000.00
113	Heroes Hills	January 6, 2009	January 5, 2016	160,811.48
114	Ilaya Branch	March 15, 2014	March 14, 2016	73,500.00
115	Iligan City	July 1, 2010	June 30, 2020	79,007.91
116	Iloilo- Jaro	September 1, 2013	August 31, 2033	21,900.00
117	Iloilo-Iznart	October 1, 2009	September 30, 2014	53,511.25
118	Iloilo-Mabini	June 1, 2009	May 31, 2015	60,591.92
119	Iloilo-Mandurriao	January 1, 2012	December 31, 2021	51,927.75
120	Intramuros	October 1, 2008	September 30, 2016	257,872.69
121	Isabela- Ilagan	April 1, 2012	March 31, 2022	40,241.25
122	Isabela- Roxas	January 16, 2014	January 15, 2024	55,263.16
123	J. Abad Santos Avenue	October 1, 2013	September 30, 2019	98,900.00
124	Juan Luna	December 16, 2012	December 15, 2017	152,250.00
125	Kalayaan Ave.	August 1, 2009	July 31, 2017	69,457.50
126	Kalibo	October 1, 2007	September 30, 2022	47,841.41
127	Kalookan- 8th Ave.	July 1, 2014	June 30, 2024	100,000.00
128	Kalookan- Camarin	December 16, 2010	December 15, 2015	67,825.25
129	Kalookan-Monumento	March 1, 2012	February 28, 2022	134,284.50
130	Kamias	January 1, 2008	December 31, 2015	119,040.70
131	Karuhatan	December 1, 2014	May 31, 2016	92,400.00
132	Kidapawan City	November 16, 2011	November 15, 2016	92,610.00
133	Koronadal City	August 1, 2011	September 30, 2019	75,000.00
134	La Trinidad	August 19, 2012	August 18, 2022	60,000.00
135	La Union	December 1, 2009	November 30, 2019	92,610.00
136	Laguna - Calamba	July 1, 1998	June 30, 2020	137,849.18
137	Laguna-Sta Cruz	August 1, 2011	July 31, 2021	54,834.87
138	Laoag City	December 1, 2006	November 30, 2016	119,025.00
139	Las Piñas - Manuela	December 1, 2012	November 30, 2017	120,129.79
140	Legaspi Vill. -C. Palanca	November 1, 2014	October 31, 2020	153,300.00
141	Legaspi Village-Perea	January 16, 2008	January 15, 2016	175,184.00
142	Legazpi City	April 1, 2005	March 31, 2013	81,260.25
143	Lucena City	January 16, 2012	January 15, 2022	52,500.00
144	Maasin City	June 1, 2011	May 31, 2021	37,800.00
145	Mabalacat- Dau	September 5, 2010	September 4, 2020	133,705.69
146	Magallanes Village	December 1, 2008	November 30, 2016	59,825.70
147	Makati Avenue	December 1, 2009	November 30, 2017	367,889.61
148	Malabon-Concepcion	February 16, 2014	February 14, 2024	70,000.00
149	Malanday	December 1, 2011	November 30, 2031	44,100.00
150	Malaybalay City	June 1, 2012	May 31, 2022	44,000.00

	BRANCH	LEASE COMMENCEMENT DATE	LEASE EXPIRATION DATE	MONTHLY RENT
151	Malolos City	July 15, 2011	July 14, 2021	59,422.63
152	Marikina – Fairlane	October 1, 2008	September 30, 2016	71,561.11
153	Marikina – Gil Fernando	January 1, 2013	December 31, 2022	66,150.00
154	Marikina- Sta. Elena	April 30, 2013	May 31, 2023	110,250.00
155	Marikina-SSS Village	June 1, 2006	May 31, 2016	80,405.74
156	Marilao	November 1, 2012	October 31, 2017	186,375.75
157	Masangkay	January 1, 2007	December 31, 2016	298,673.24
158	Masangkay-Luzon	January 1, 2010	December 31, 2019	57,432.67
159	Masbate	September 1, 2007	August 31, 2012	45,000.00
160	Mayon	December 21, 2007	December 20, 2015	60,304.30
161	Meycauayan	July 1, 2014	June 30, 2024	52,631.58
162	Mezza Residences	May 1, 2013	April 30, 2018	129,976.50
163	Muntinlupa – Putatan	August 21, 2012	August 20, 2022	49,500.00
164	N. Domingo	September 1, 2009	August 31, 2017	76,580.00
165	Naga City	July 1, 2014	June 30, 2024	105,263.16
166	Navotas	December 1, 2011	November 30, 2021	57,881.25
167	Negros Occ.- Kabankalan	January 1, 2015	December 31, 2034	35,000.00
168	Negros Occidental- San Carlos	July 1, 2013	June 30, 2023	47,368.42
169	Novaliches	March 1, 2011	2/28/2012 month-to-month	85,730.00
170	Novaliches- Sangandaan	October 16, 2009	October 15, 2024	82,958.30
171	Novaliches- Zabarte	September 7, 2009	September 6, 2019	70,195.49
172	Novaliches-Talipapa	July 15, 2008	November 14, 2017	208,275.27
173	Nueva	August 16, 2008	August 15, 2016	120,971.81
174	Nueva Ecija- Sta. Rosa	November 16, 2013	November 15, 2033	55,000.00
175	Occ. Mindoro- San Jose	September 16, 2014	September 15, 2024	85,000.00
176	Ongpin	September 1, 2010	August 31, 2016	254,100.00
177	Ortigas Ave. Ext - Riverside	April 21, 2009	April 20, 2016	96,589.22
178	Ortigas Center	January 1, 2011	December 31, 2015	177,616.72
179	Ortigas Complex	December 1, 2012	November 30, 2017	188,430.45
180	Ozamis City	August 1, 1996	July 31, 2016	94,937.46
181	Paco	July 16, 2010	July 15, 2020	93,806.69
182	Paco-Otis	February 16, 2009	February 15, 2017	75,500.99
183	Padre Faura	May 1, 2008	April 30, 2016	224,131.00
184	Pagadian City	December 1, 2013	November 30, 2023	85,000.00
185	Pangasinan- Bayambang	October 1, 2014	September 30, 2024	18,000.00
186	Pangasinan-Alaminos City	June 1, 2008	May 31, 2018	66,047.57
187	Pangasinan-Urdaneta	April 1, 2010	March 31, 2020	107,476.35
188	Paranaque-Sucat	November 1, 2011	October 31, 2021	99,000.00
189	Paseo De Sta. Rosa	October 1, 2013	September 30, 2015	119,133.76
190	Pasig – SM Supercenter	April 1, 2013	July 31, 2018	92,950.60
191	Pasig- C. Raymundo	August 1, 2009	July 31, 2017	31,987.01
192	Pasig-Mercedes	June 1, 2006	May 31, 2016	57,409.70
193	Pasig-Santolan	March 1, 2012	February 29, 2020	121,391.93
194	Paso De Blas	August 1, 2012	July 31, 2017	44,296.88
195	Pasong Tamo - Bagtikan	January 1, 2015	December 31, 2017	92,378.48
196	Pateros	September 1, 2014	August 31, 2015	60,000.00
197	Philam	December 1, 2012	November 30, 2017	86,747.74
198	Puerto Princesa City	November 16, 2012	November 15, 2018	94,500.00
199	Quezon Ave.	January 21, 2008	January 20, 2015	107,909.85
200	Roxas City	April 1, 2010	March 31, 2015	42,117.29

	BRANCH	LEASE COMMENCEMENT DATE	LEASE EXPIRATION DATE	MONTHLY RENT
201	Sales-Raon	January 1, 2010	December 31, 2019	98,452.36
202	San Fernando – Sindalan	January 1, 2012	December 31, 2021	67,170.03
203	San Jose City	December 1, 2011	November 30, 2021	53,721.03
204	San Pablo City	November 16, 2009	November 15, 2014	95,000.00
205	Santiago City	November 15, 2013	November 14, 2023	97,240.52
206	Shaw-Pasig	December 1, 2011	November 30, 2021	147,076.26
207	Silay City	September 1, 2010	August 31, 2020	36,382.50
208	SM Fairview	November 1, 2013	October 31, 2018	221,893.35
209	SM North Edsa	February 1, 2010	January 31, 2015	259,753.25
210	SM North Edsa - Annex	November 1, 2012	October 31, 2017	210,139.50
211	SM Southmall	February 1, 2015	January 31, 2020	423,870.00
212	SM Aura Premier	April 12, 2013	April 30, 2018	130,482.00
213	SM City BF Parañaque	December 16, 2013	January 31, 2019	263,920.80
214	SM City Bicutan	November 1, 2013	October 31, 2018	185,327.30
215	SM City Clark	August 1, 2013	July 31, 2018	178,993.50
216	SM City Dasmariñas	December 12, 2011	October 31, 2014	134,636.00
217	SM City Lipa	November 1, 2012	October 31, 2017	174,163.00
218	SM City Marikina	November 1, 2012	October 31, 2017	162,187.20
219	SM City Masinag	May 6, 2011	July 31, 2016	138,876.00
220	SM City Naga	January 15, 2012	January 31, 2014	93,497.25
221	SM City Olongapo	February 1, 2014	January 31, 2019	156,598.00
222	SM City Pampanga	November 1, 2013	October 31, 2014	133,476.00
223	SM City San Lazaro	November 1, 2013	October 31, 2018	227,998.80
224	SM City San Pablo	October 1, 2010	September 30, 2015	155,016.00
225	SM City Sta. Rosa	May 1, 2014	April 30, 2019	149,383.00
226	SM City Taytay	November 1, 2013	October 31, 2014	115,080.00
227	SM Mall Of Asia	May 1, 2012	April 30, 2017	281,007.45
228	SM Megamall	November 1, 2012	October 31, 2017	454,488.50
229	Solano	December 16, 2008	December 15, 2018	53,603.83
230	Soler-168	January 1, 2015	December 31, 2020	102,912.77
231	Stb. Cristo	July 1, 2014	December 31, 2015	300,000.00
232	Subic Bay Freeport Zone	June 25, 2008	June 24, 2058	49,603.61
233	Surigao City	September 1, 2011	August 31, 2031	30,000.00
234	T. Alonzo	June 1, 2011	May 31, 2016	85,000.00
235	Tabaco City	March 1, 2015	February 28, 2023	49,107.14
236	Tacloban City	July 1, 2010	June 30, 2020	83,812.05
237	Taft Ave. - Quirino	May 1, 2009	April 30, 2017	108,050.23
238	Tagaytay City	January 16, 2011	January 15, 2016	59,270.40
239	Tagbilaran City	August 16, 2012	August 15, 2017	144,716.00
240	Talavera	July 20, 2012	July 19, 2032	20,000.00
241	Tarlac- Camiling	February 1, 2014	January 31, 2024	54,600.00
242	Tarlac- Concepcion	October 1, 2014	September 30, 2024	55,000.00
243	Tarlac- Paniqui	October 1, 2014	September 30, 2024	65,000.00
244	The District Imus	July 17, 2014	May 31, 2015	102,844.50
245	Trece Martires	November 29, 2012	November 28, 2017	53,703.88
246	Trinoma	May 1, 2013	August 31, 2014	308,580.00
247	Tuguegarao City	March 16, 2013	March 15, 2017	100,000.00
248	Tutuban Prime Block	November 20, 1997	August 22, 2014	52,234.45
249	UP Techno Hub	September 1, 2014	August 31, 2015	138,160.94
250	Valencia	February 1, 1994	January 31, 2019	68,226.26
251	Valenzuela - Gen. Luis	July 1, 2011	June 30, 2021	50,000.00
252	Vigan City	February 1, 2011	January 31, 2019	97,240.50
253	Xavierville	June 1, 2008	May 31, 2020	106,697.61
254	Zamboanga- San Jose Gusu	December 1, 2014	November 30, 2024	50,732.50
255	Zamboanga-Guiwan	March 7, 2007	March 6, 2017	46,287.50

China Bank Savings

(iii) Bank-owned Properties – Metro Manila & Provincial Branches

	<u>BRANCH</u>	<u>LOCATION</u>
1	Angeles	Miranda Extension corner Asuncion St., Angeles City
2	Ayala Avenue	6772 Ayala Avenue, Makati City
3	Dau	MacArthur Highway, Dau, Mabalacat, Pampanga
4	Orani	Brgy. Balut, Orani, Bataan

(iv) Leased Properties - – Metro Manila & Provincial Branches

	<u>BRANCH</u>	<u>LEASE COMMENCEMENT</u>	<u>LEASE EXPIRATION</u>	<u>AVE MONTHLY RENT</u>
1	Alabang Hills	August 16, 2009	August 15, 2017	70,480.06
2	Arayat	November 16, 2006	November 15, 2016	16,000.00
3	Bacolod	August 1, 2010	July 31, 2020	74,376.26
4	Bacoor	September 1, 2012	August 31, 2017	57,928.50
5	Baguio	May 16, 2011	May 15, 2021	75,000.00
6	Balanga	May 27, 2005	May 24, 2015	48,000.00
7	Batangas City	September 1, 2012	August 5, 2017	65,075.00
8	BF Homes	July 1, 2013	June 30, 2023	60,000.00
9	Binondo, Juan Luna	September 16, 2013	September 15, 2023	172,975.00
10	Cabanatuan	April 6, 2011	April 5, 2021	90,545.01
11	Cagayan De Oro	November 1, 2010	October 31, 2022	135,169.87
12	Calamba	October 1, 2012	October 31, 2017	94,500.00
13	Cebu – Lahug	June 1, 2009	May 31, 2017	131,842.36
14	Cebu – Mandaue	August 1, 2011	July 31, 2021	101,023.00
15	Chino Roces Avenue	October 1, 2013	September 30, 2023	106,320.00
16	Dagupan	January 1, 2011	December 31, 2021	121,227.77
17	Daraga	June 16, 2011	June 15, 2021	60,000.00
18	Davao	January 1, 2011	December 31, 2020	88,599.82
19	Filinvest Corporate City	June 15, 2012	June 14, 2017	120,000.00
20	FilOil Tanauan – Suplang	February 1, 2013	January 31, 2018	15,000.00
21	Greenhills – Wilson	October 16, 2009	October 15, 2017	141,174.03
22	Guagua	January 1, 2013	December 31, 2023	45,000.00
23	Iloilo – Jaro	May 1, 2013	April 30, 2023	68,000.00
24	Iloilo - Quezon	June 1, 2013	May 31, 2018	49,000.00
25	Imus	May 16, 2011	May 15, 2021	60,000.00
26	Kalookan	August 16, 2009	August 15, 2017	125,733.12
27	La Huerta	October 1, 2013	September 30, 2028	90,000.00
28	Las Piñas	July 1, 2010	June 30, 2020	131,011.34
29	Las Piñas - Almanza Uno	September 1, 2012	August 31, 2017	84,150.00
30	Lipa	November 19, 2010	November 18, 2020	112,697.92

	BRANCH	LEASE COMMENCEMENT	LEASE EXPIRATION	AVE MONTHLY RENT
31	Macabebe	June 16, 2010	June 15, 2017	32,000.00
32	Makati, J.P Rizal	September 1, 2013	August 31, 2023	120,000.00
33	Malolos	July 1, 2012	June 30, 2017	60,000.00
34	Mandaluyong - Shaw Boulevard	December 1, 2013	November 30, 2018	121,971.78
35	Marikina	June 1, 2010	May 31, 2020	84,523.44
36	Mckinley Hill	July 1, 2010	June 30, 2015	214,684.54
37	Naga	July 16, 2012	July 15, 2022	74,766.36
38	Olongapo City	October 25, 2012	October 24, 2017	87,945.00
39	Ortigas	February 1, 2013	January 31, 2018	144,648.00
40	Pasig-Padre Burgos	April 25, 2013	June 15, 2018	96,000.00
41	Pateros	July 1, 2010	June 30, 2020	101,023.14
42	Porac	December 13, 2004	December 13, 2015	28,000.00
43	Quezon Avenue	November 1, 2008	October 31, 2018	146,037.52
44	San Fernando	July 16, 2010	July 15, 2020	154,959.64
45	San Fernando – Bayan			174,196.00
46	San Ildefonso	October 1, 2005	October 1, 2015	14,000.00
47	San Jose	January 4, 2010	January 4, 2020	38,000.00
48	San Jose Del Monte	August 1, 2012	July 31, 2022	73,000.00
49	San Narcisco	December 7, 2006	December 7, 2016	24,000.00
50	San Pablo	March 2, 2012	March 1, 2022	84,000.00
51	San Pedro	March 1, 2012	February 28, 2022	35,000.00
52	San Rafael	December 12, 2005	December 12, 2015	55,000.00
53	Santiago	January 15, 2012	January 14, 2020	71,471.00
54	Savemore Amang Rodriguez	December 27, 2013	December 26, 2015	40,000.00
55	Savemore Anonas Q.C	July 30, 2013	July 29, 2015	40,000.00
56	Savemore Araneta Center COD	May 24, 2014	May 23, 2015	30,000.00
57	Savemore Avenida	September 10, 2013	September 9, 2015	40,000.00
58	Savemore Jackman	September 10, 2013	April 19, 2015	30,000.00
59	Savemore Nepa Q-Mart Q.C	July 30, 2013	July 29, 2015	32,000.00
60	Savemore Nova Plaza Mall	September 10, 2013	September 9, 2015	30,000.00
61	Savemore Pedro Gil	January 1, 2015	December 31, 2019	30,000.00
62	Savemore Taft-Masagana	October 25, 2013	October 24, 2015	30,000.00
63	Savemore Taguig- Acacia Estates	December 27, 2013	December 26, 2015	40,000.00
64	Savemore Talisay- Negros	May 23, 2014	May 22, 2019	81,000.00
65	SM Hypermarket Adriatico	August 1, 2013	July 31, 2015	50,000.00
66	Sta. Ana	January 1, 2008	January 1, 2018	23,750.00
67	Sta. Rita	October 8, 2012	October 7, 2022	25,000.00
68	Sta. Rosa	June 17, 2013	June 16, 2022	140,000.00
69	Subic	March 1, 2009	February 26, 2019	40,020.75
70	Tarlac	January 7, 2012	January 6, 2020	60,614.00
71	Taytay	October 15, 2013	October 14, 2018	90,000.00
72	Two E-com Center	July 1, 2013	July 31, 2016	116,190.00
73	Valenzuela	April 1, 2011	March 31, 2021	70,000.00
74	Zamboanga	October 16, 2011	October 15, 2021	74,787.00

Planters Development Bank
(v) Bank-owned Properties – Metro Manila & Provincial Branches

BRANCH	LOCATION
1 Buendia Main	Plantersbank Bldg. 314 Sen Gil Puyat Ave. Makati City
2 Batangas	4 Burgos St., Batangas City
3 Binan	San Vicente, Binan, Laguna
4 Sta Rosa	Old National Highway corner Roque Lazaga St., Sta Rosa, Laguna
5 Angeles	639 Rizal St., Angeles City
6 La Union	A.G. Zambrano Bldg. Quirino Ave. San Fernando, La Union (Foreclosed property)
7 Masantol	San Nicolas, Masantol, Pampanga
8 Orani	Calle Real, Orani, Bataan

(vi) Leased Properties – Metro Manila & Provincial Branches

BRANCH	LEASE COMMENCEMENT	LEASE EXPIRATION	AVE MONTHLY RENT
1 Alabang	May 18, 2013	May 17, 2016	123,882.22
2 Angono	August 8, 1991	August 8, 2016	10,000.00
		8/31/2013 month-to-	
3 Antipolo	September 1, 2008	month	72,930.78
4 Bacolod	July 1, 2012	June 30, 2017	70,000.00
5 Bacoar	November 8, 2005	November 7, 2015	45,000.00
6 Baguio	June 17, 2011	June 16, 2016	135,000.00
7 Balagtas	January 15, 2011	January 14, 2016	75,000.00
8 Balanga	October 15, 2012	October 14, 2017	104,412.27
9 Balibago	January 1, 2006	December 31, 2015	64,000.00
10 Baliuag	May 26, 2011	May 25, 2016	110,000.00
11 Banaue	November 22, 2012	November 21, 2022	100,398.00
12 Bangkal	June 21, 2012	June 21, 2022	127,500.00
13 Cabanatuan	March 1, 2008	February 28, 2015	85,000.00
14 Cagayan De Oro	March 16, 2011	March 15, 2016	55,000.00
15 Calamba	July 1, 2014	June 30, 2015	113,598.78
16 Cebu Mango	January 1, 2013	December 31, 2017	233,084.24
17 Cebu P. Del Rosario	January 1, 2014	December 31, 2014	46,600.00
18 U.P. Los Banos	September 1, 2013	August 31, 2016	45,000.00
19 Cubao	July 1, 2014	June 30, 2015	76,576.90
20 Dagupan	June 1, 2012	May 31, 2017	93,750.00
21 Dasmariñas	April 1, 2006	March 31, 2016	40,000.00
22 Davao J.P. Laurel	October 2, 2014	October 1, 2015	44,290.00
23 Davao Recto	May 1, 2013	April 30, 2017	82,800.00
24 Dolores	April 1, 2013	March 31, 2018	82,000.00
25 Del Monte	July 1, 2010	June 30, 2015	43,890.00
26 Gen. Santos	April 1, 2013	March 31, 2020	65,000.00
27 Greenhills	December 1, 2014	November 30, 2015	130,866.61
28 Guagua	January 1, 2013	December 31, 2017	77,129.15
29 Hagonoy	September 18, 2012	September 17, 2017	45,833.33
30 Iloilo	April 1, 2012	March 31, 2017	60,637.50

BRANCH	LEASE COMMENCEMENT	LEASE EXPIRATION	AVE MONTHLY RENT
31 Imus	November 26, 2013	November 25, 2020	90,000.00
32 Kalookan	January 1, 2012	December 31, 2016	85,000.00
33 Kapasigan	November 20, 2014	November 19, 2015	62,575.00
34 Lagro	September 8, 2011	September 7, 2016	62,720.12
35 Las Pinas	October 16, 2010	October 15, 2015	90,000.00
36 Los Banos Crossing	January 1, 2014	December 31, 2016	52,500.00
37 Lipa	March 1, 2012	February 28, 2017	121,052.63
38 Lucena	September 16, 2013	September 15, 2018	68,694.00
39 Malolos	April 5, 2010	April 5, 2015	50,000.00
40 Mandaluyong	March 1, 2012	May 31, 2022	126,800.00
41 Mandaue	August 1, 2013	July 31, 2018	65,672.00
42 Marikina	January 1, 2013	December 31, 2017	72,930.38
43 Meycauayan	November 1, 2011	October 31, 2016	48,800.00
44 Mount Carmel	July 20, 2010	July 20, 2015	80,000.00
45 Naga	November 16, 2012	November 15, 2017	172,400.00
46 Ninoy Aquino Ave.	June 21, 2012	May 31, 2022	130,000.00
47 Olongapo	June 16, 2014	June 15, 2015	135,514.02
48 Ortigas	September 24, 2011	September 23, 2016	120,184.82
49 Paranaque	April 19, 2011	April 18, 2016	61,204.33
50 Paso De Blas	January 16, 2014	January 15, 2015	56,631.41
51 Pateros	August 30, 2012	August 30, 2017	66,150.00
52 Plaridel	September 1, 2012	August 31, 2022	120,000.00
53 Quezon Avenue	April 16, 2011	April 15, 2016	72,900.00
54 Rada	June 16, 2011	June 15, 2016	109,098.90
55 San Fernando	February 1, 2013	January 31, 2018	95,172.29
56 San Miguel	December 1, 2013	November 30, 2018	72,930.38
57 San Pablo	April 1, 2006	April 30, 2016	100,000.00
58 Santiago	October 16, 2012	October 15, 2017	117,600.00
59 Sta Maria	December 8, 2012	December 7, 2017	75,205.66
60 Sto Tomas	October 26, 2010	October 26, 2015	85,000.00
61 U.N. Avenue	February 1, 2014	January 31, 2015	116,435.88
		3/6/2014 month-to-	
62 Tagum	March 6, 2009	month	45,000.00
63 Tarlac	May 15, 2012	May 14, 2017	67,000.00
64 Taytay	June 16, 2012	June 15, 2017	70,195.48
65 Timog	May 1, 2012	April 30, 2017	104,725.00
66 Tuguegarao	August 16, 2012	August 15, 2017	96,500.00
67 Urdaneta	June 1, 2010	May 31, 2015	80,143.00
68 Valenzuela	October 19, 2010	October 18, 2015	45,000.00
69 Vigan	June 1, 2012	May 31, 2022	80,000.00
70 Visayas Avenue	March 2, 2012	March 1, 2017	99,610.00

The head office and other branches of China Bank are well maintained for the benefit of its employees and clients. The Bank now has set a standard look for its branches particularly their facade and layout.

(b) Limitations on Properties

Usually, bank's properties which have liens and encumbrances or those which were acquired by virtue of foreclosure sale. These liens mostly are lis pendens and adverse claims, posted by the previous owners-borrowers and they are subsequently cancelled upon termination of the case filed by the latter and upon motion/petition we filed in court.

(c) Description of Property the Bank intends to acquire in the next 12 months

The Bank has future plans to acquire properties but no description/location of properties yet at this time.

Item 3. Legal Proceedings

There are pending cases filed for and against the Bank arising from the incidental, ordinary and routine conduct of the banking business. It is the opinion of the management and legal counsel that there are no material pending legal proceedings to which the Bank or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the Annual Stockholders' Meeting on May 8, 2014, there was no other matter submitted to a vote of security holders during the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(a) Market Information

The Bank's common shares are listed with and traded at the Philippine Stock Exchange. The high, low, and close sales prices for each quarter within the last two fiscal years and for the first three months of 2015 are shown below:

Actual Prices:			
2015	HIGH	LOW	CLOSE
January	47.90	45.95	47.00
February	47.50	46.20	46.60
March	47.95	46.50	46.50

Actual Prices:			
2014	HIGH	LOW	CLOSE
Jan – Mar	62.00	57.25	58.45
Apr – Jun	63.00	54.00	55.10
Jul – Sept	56.50	50.00	50.80
Oct – Dec	51.10	45.80	47.00

Actual Prices:			
2013	HIGH	LOW	CLOSE
Jan – Mar	68.30	54.40	64.00
Apr – Jun	78.20	58.00	64.20
Jul – Sept	73.00	50.00	60.00
Oct – Dec	62.70	55.05	59.00

Adjusted Prices (for stock rights offer and 8% stock dividend):			
2014	HIGH	LOW	CLOSE
Jan - Mar	56.28	51.97	53.06
Apr - Jun	57.19	50.00	51.02
Jul - Sept	52.31	47.69	50.80
Oct - Dec	51.10	45.80	47.00

Adjusted Prices (for 10% stock dividend):			
2013	HIGH	LOW	CLOSE
Jan - Mar	62.09	49.45	58.18
Apr - Jun	71.09	52.73	58.36
Jul - Sept	66.36	50.00	60.00
Oct - Dec	62.70	55.05	59.00

The Bank's common shares were valued at P47.00 per share as of December 29, 2014 (last trading day), and at P46.50 per share as of March 31, 2015 (latest practicable trading date).

(b) Holders

The Bank has an authorized capital stock of P25.0 Billion divided into 2.5 Billion shares at a par value of P10.00 per share. As of February 28, 2015, there are approximately 1,979 holders of the 1,716,414,317 issued shares, and the following are the Top 20 holders of common shares of the Bank:

Name of Stockholder	Shares	Percentage
1. PCD Nominee Corporation (Non-Filipino)	432,933,265	25.223%
2. SM Investments Corporation	295,267,293	17.203%
3. Sysmart Corporation	254,290,183	14.815%
4. PCD Nominee Corporation (Filipino)	202,673,787	11.808%
5. Shoe Mart, Inc.	74,490,059	4.340%
6. CBC Employees Retirement Plan	40,938,621	2.385%
7. JJACCIS Development Corporation	36,408,924	2.121%
8. Joaquin T. Dee &/or Family	33,902,301	1.975%
9. GDSK Development Corporation	23,601,094	1.375%
10. Hydee Management & Resource Corp.	10,501,487	0.612%
11. Suntree Holdings Corporation	10,225,359	0.596%
12. Domingo T. Dee	9,573,403	0.558%
13. Gilbert U. Dee	8,204,269	0.478%
14. Estate of Allen Cham	8,020,288	0.467%
15. Syntrix Holdings, Inc.	4,802,949	0.280%
16. The First Resources Mgt. & Sec. Corp.	4,734,596	0.276%
17. Reliance Commodities, Inc.	4,495,191	0.262%
18. Regina Yui Dee	4,460,940	0.260%
19. Robert Y. Dee, Jr.	4,399,392	0.256%
20. Kuan Yan Tan's Charity (Phils.), Inc.	4,236,777	0.247%
TOTAL	1,468,160,178	85.536%

(b) Dividends

The following are the dividends declared on the Bank's common shares for the five most recent fiscal years:

	2014	2013	2012	2011	2010
Stock Dividend	8%	10%	10%	10%	10%
Cash Dividend	10%	12%	12%	12%	12%

In accordance with Article VIII, Section 2 of the Bank's Amended By-Laws, dividends declared by the Bank are payable in cash, property or stock. The payment of the dividends in the future will depend upon the earnings and financial condition of the Bank and other factors.

There are no restrictions that limit the ability of the Bank to pay dividends, other than those imposed by the Corporation Code. However, any dividends declared by the Bank are subject to the approval primarily of the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and Philippine Stock Exchange.

(c) Unregistered Securities

There were no unregistered securities sold by the Bank for the past three (3) years. However, there were new securities issued resulting from the stock rights offering of 161,609,878 common shares, and declaration of 8% stock dividend to comply with the minimum subscription and paid-up requirements on the increase in the capital stock of the Bank from P20.0 Billion to P25.0 Billion; which securities distributions were exempt from registration requirement under Sections 10.1 (d), 10.1 (e), and 10.1 (l) of the Securities Regulation Code.

(d) Free Float Level

Based on the Public Ownership Report of the Bank as of December 31, 2014, 58.452% of the total outstanding shares are owned by the public.

Item 6. Management Discussion and Analysis or Plan of Operation (Last Three Years 2014, 2013, 2012)

(a) Financial and Operating Highlights

Balance Sheet

In Million Pesos	Dec 31, 2014 Audited	Dec 31, 2013 Audited	Dec 31, 2012 Audited
Assets	470,940	413,698	324,160
Investments	59,027	66,921	66,431
Loan Portfolio (Net)	290,419	220,541	190,100
Total Deposits	399,302	354,268	271,977
Capital	56,566	45,400	42,738

Balance Sheet – 2014 vs 2013

Total assets expanded by 13.84% to P470.94 billion from P413.70 billion mainly from the robust growth in loans portfolio and the inclusion of Planters Development Bank's (PDB) balance sheet.

Cash and other cash items increased by 47.41% to P10.73 billion from P7.28 billion because of the expansion of the branch network, with its related increase in cash requirements. **Due from Bangko Sentral ng Pilipinas** decreased by 14.58% to P67.45 billion from P78.97 billion as the Bank reduced its placements in the BSP's SDA facility. **Due from other banks** declined by 26.51% to P17.55 billion from P23.89 billion from the maturity of forward contracts and the decline in corporate deposits with other banks.

Investment securities totaled P59.03 billion and were down by 11.80% from P66.92 billion. **Financial assets at fair value through profit & loss (FAVPL)** decreased by 19.01% to P8.44 billion from P10.42 billion due to lower holdings of tradable securities. Also, **available for sale financial assets (AFS)** fell by 13.24% from P44.35 billion to P38.48 billion and **held-to-maturity financial assets (HTM)** slightly dropped from P12.15 billion to P12.11 billion due to the maturity of some government holdings. Overall, the ratio of investment securities to total assets declined to 12.53% from 16.18% in 2013 as more resources were channelled to lending vis-à-vis investing activities.

The Bank's **liquidity ratio** was recorded at 32.91%, lower than last year's 42.80% as more funding was channeled to lending.

The **Bank's gross loan portfolio (inclusive of UDSCL)** grew 30.74% year-on-year to P297.65 billion from P227.66 billion mainly from higher demand across all customer segments (corporate, commercial, and consumer) as well as the additional loans attributed to PDB amounting to P30.40 billion. **Loans (net, inclusive of UDSCL)** grew by 31.68% to P290.42 billion from P220.54 billion.

Accrued interest receivables grew by 17.77% to P2.24 billion from P1.90 billion mainly from the P186.61 million contribution of PDB. **Investment in associates** increased to P534.88 million from P21.25 million mainly because of the Bank's increased stake in the joint venture, Manulife-China Bank Life Assurance Corporation. **Bank premises, furniture, fixtures & equipment** were up by 18.38% from P5.28 billion to P6.25 billion due to the expanding branch network. **Investment properties** increased to P5.77 billion from P2.41 billion from the inclusion of PDB's acquired properties amounting to P3.50 billion. **Deferred tax assets** were up by 35.19% to P848.69 million from P627.80 million mainly from the increase in accrued expenses which are non-deductible items in the computation of the Bank's income tax. On other hand, the acquisition of PDB brought **goodwill up** to P1.49 billion from P222.84 million and **branch licenses** to P2.43 billion from P837.60 million. **Other assets** increased by 24.46% to P5.98 billion from P4.80 billion mainly due to the inclusion of PDB's other assets which include sales contract receivables and account receivables, among others.

On the liabilities side, **total deposits** increased by 12.71% to P399.30 billion from P354.27 billion mainly from the larger branch network, including PDB's branches that contributed P41.03 billion in deposits. Demand deposits grew by 27.32% to P97.70 billion from P76.74 billion. Likewise, savings deposits expanded by 20.94% to P95.53 billion from P78.99 billion. Total low-cost deposits grew by 24.08% to P193.23 billion from P155.72 billion, consequently improving the funding mix - with a low cost-to-total deposits ratio of 48.39% vis-à-vis 43.96% in 2013. **Bills payable** fell by 23.84% from P8.30 billion to P6.32 billion from the lower volume of borrowings from foreign banks. **Manager's checks** increased by 42.04% to P1.22 billion from P859.89 million because of the increased customer demand. **Accrued interest and other expenses** increased to P1.63 billion from P1.50 billion mainly from the accrued interest expense on PDB's subordinated debt. **Income tax payable** grew by 61.69% to P10.94 million from P6.77 million due to the higher regular corporate income tax payable for the year. **Derivative Liabilities** went down by 34.36% to P101.61 million from P154.81 million due to positive mark-to-market valuation of the Bank's forward contracts. The Bank also included **subordinated debt** of PDB worth P1.19 billion. The significant increase in **deferred tax liabilities** to P962.56 million can be attributed to the fair value adjustments arising from the acquisition of PDB amounting to P770.90 million. **Other liabilities** increased to P3.64 billion from P3.21 billion mainly from the increase in margin deposits, and accounts payable, among others.

Total capital funds (including minority interest) grew to P56.57 billion, 24.60% higher than last year's P45.40 billion primarily from the retained profits and the P8.0 billion stock rights offer last May 2014. **Capital stock** rose by 20.23% to P17.16 billion from P14.28 billion mainly from the issuance of additional shares through the SRO and 8% stock dividend distributed in 2014.

Net unrealized gain on available for sale securities increased by P202.18 million from a loss of P79.26 million to a gain of P122.92 million due to the disposition and the increase in market value of unsold securities. **Cumulative translation adjustment** which amounted to P(20.39) million from P66.35 million was due to the exchange rate differences arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

The Bank's Common Equity Tier 1 (CET 1) and total CAR were computed at 13.95% and 14.88%, respectively. The difference was accounted by the general loan loss provision limited to 1% of credit risk weighted assets as buffer for potential losses.

Balance Sheet – 2013 vs 2012

Total assets expanded by 27.62% to P413.70 billion from P324.16 billion mainly from the growth in loans and liquid assets supported by strong deposit growth.

Cash and other cash items (COCI) increased by 18.20% to P7.28 billion from P6.16 billion in 2012 due to higher year-end cash requirements and increase in the number of branches. **Due from Bangko Sentral ng Pilipinas** increased by 94.22% to P78.97 billion from P40.66 billion as excess liquidity requirements was placed in the BSP's special deposit account coupled with higher reserve requirements from the expansion of bank's deposit level. **Due from Other Banks** climbed by 427.58% to P23.89 billion from P4.53 billion due to higher dollar placements with other banks.

Investment Securities which is composed of **Financial Assets at Fair Value through Profit & Loss (FAVPL)**, **Available For Sale Financial Assets (AFS)** and **Held-to-Maturity Financial Assets (HTM)** totaled P66.92 billion and was slightly up by 0.74% from P66.43 billion in Dec 2012. **FAVPL** was down by 14.34% to P10.42 billion from P12.17 billion due to lower holdings of tradable securities which would minimize mark-to-market risks. Meanwhile, **AFS** was up by 6.68% from P41.57 billion in December 2012 to P44.35 billion as the Bank increased its securities holdings. However, **HTM** dropped by 4.28% or P542.69 million from P12.69 billion to P12.15 billion due to maturity of some government holdings. In keeping with the Bank's strategy of reducing share of treasury managed assets to total assets, the ratio of total investment in debt and equity securities declined to 16.18% of total assets from 20.49% last year.

The Bank's **liquidity ratio** (the ratio of liquid assets to total assets) was higher at 42.80% as against 36.47% in Dec-end 2012.

There was a 15.58% year-on-year growth in the Bank's gross loan portfolio (exclusive of UDSCL), reaching P224.57 billion in 2013 from P194.29 billion last year, driven by higher demand from all customer segments: consumer, commercial, and corporate. **Loans (net, inclusive of UDSCL)** grew by 16.01% to P220.54 billion from P190.10 billion as of year-end 2012. Close monitoring and tighter controls led to a 9.99% drop in the Bank's non-performing loans (NPLs) to P4.52 billion, reducing its Gross NPL ratio to 1.99% and improving its loan loss coverage ratio to 146.62%, one of the best in the industry.

Accrued interest receivables slightly grew by 3.52% to P1.90 billion. **Bank premises, furniture, fixtures & equipment** were up by 11.03% from P4.76 billion to P5.28 billion due to expanded network. **Investment properties** were down by 14.50% to P2.41 billion from P2.82 billion as the Bank continued to sell off its foreclosed properties. **Deferred tax assets** were down by 1.51% from P637.43 million to P627.80 million. **Other assets** increased by 2.01% from P4.71 billion to P4.80 billion.

On the liabilities side, **total deposit** volume increased by 30.26% to P 354.27 billion from P271.98 billion as of Dec 2012 from the expanded network. Demand deposits grew by 26.60% to P76.74 billion from P60.61 billion while Savings deposits almost doubled to P78.99 billion from P40.01 billion. Peso low-cost deposits grew by 54.76% to P155.72 billion, improving the overall funding mix, as low cost-to-total peso deposits ratio for 2013 stood at 43.96% versus 37.00% in 2012. **Bills payable** expanded by 135.32% from P3.53 billion to P8.30 billion from higher volume of interbank borrowings. **Manager's and gift checks** increased by 7.32% from P801.21 million to P859.89 million due to the higher volume of manager's checks issued to borrowers. **Income tax payable** grew by 29.50% to P6.77 million from P5.23 million due to the accrual of minimum corporate income tax for 2013. **Accrued interest, taxes and other expenses** were down by 7.42% to P1.50 billion from P1.62 billion mainly from lower accrued interest payables from the maturity of the Bank's LTNCD last August. **Derivative Liabilities** were down by 72.87% to P154.81 million from P570.58 million due to positive mark to market valuation of the Bank's forward contracts. **Other liabilities** increased by 9.90% to P3.21 billion from P2.92 billion mainly from the increase in acceptances payable, Due to PDIC and miscellaneous liabilities which include sundry credits, inter-office float items and dormant deposit accounts.

Total capital funds (including minority interest) reached P45.40 billion, 6.23% higher than 2012, primarily from retained profits. **Capital stock** rose by P 1.30 billion or 10% mainly from the 10% stock dividend distributed in 2013. The **surplus** account grew by P1.48 billion to P30.56 billion driven by the retained net income for the year, net of cash dividend payout of P1.00 per share. **Net unrealized gain on available for sale securities** declined by P 1.44 billion from P 1.36 billion to a loss of P79.26 million due to the decrease in market value of unsold securities. The difference between the assumption and the actual retirement assets led to the increase in **remeasurement gain on defined benefit asset or liability** by P427.23 million from P177.48 million in 2012 to P604.72 million in 2013. The positive balance of **cumulative translation adjustment** to P66.35 billion from a loss (P 65.51) million in 2012 was due to the exchange differences arising from the translation of foreign currency-denominated assets and liabilities.

The Bank's Common Equity Tier 1 (CET 1) and total CAR were computed at 14.50% and 15.39%, respectively. The difference in the Tier 1 and Total CAR includes general loan loss provision limited to 1% of credit risk weighted assets which can absorb potential losses.

Income Statement

In Million Pesos	2014 Audited	2013 Audited	2012 Audited
Interest Income	18,397	14,081	13,151
Interest Expense	4,308	4,145	5,089
Net Interest Income	14,089	9,936	8,062
Non-Interest Income	4,759	5,161	5,794
Provision for Impairment & Credit Losses	441	414	237
Operating Expenses	11,729	8,907	8,194
Net Income	5,114	5,100	5,003

Income Statement – For the years ended December 31, 2014 and 2013

The Bank recorded a **net income** of P5.11 billion for 2014, which translated to a 9.90% return on equity (ROE) and 1.12% return on assets (ROA).

Total interest income increased by 30.65% to P18.40 billion from P14.08 billion. A larger loan portfolio contributed to the increase in **interest income from loans and receivables** by 41.48% to P14.67 billion from P10.37 billion. **Interest income from trading & investment securities** slightly decreased by 6.37% to P3.02 billion from P3.23 billion due to the declining yields and the lower volume of securities portfolio. **Interest income from BSP and other banks** grew by 45.54% to P701.14 million from P481.74 million as excess funds were channeled to BSP's Special Deposit Account. PDB contributed P2.38 billion in total interest income, accounting for 55.15% of the increase.

Total interest expense increased by 3.94% to P4.31 billion from P4.15 billion. Despite the bigger deposit base, **interest expense on deposit liabilities** fell by P30.53 million to P4.02 billion from P4.05 billion due to the declining interest rates and the build-up of low-cost deposits. **Interest expense on bills payable and other borrowings**, on the other hand, increased by P193.76 million to P291.67 million because of higher levels of interbank funding and interest expense on PDB's subordinated debt.

Net interest income improved by 41.80% to P14.09 billion from P9.94 billion due to the robust growth in interest income and the drop in interest cost on deposits, resulting in a **net interest margin** of 3.30% - up from last year's 2.98%. The inclusion of Plantersbank contributed P1.45 billion to the group's total net interest income.

Provision for impairment and credit losses of P440.90 million increased by 6.41% from last year's P414.34 million because of higher provisioning for the Bank's risk assets, mainly attributed to growth in the loan book.

Non-interest income dropped by 7.78% to P4.76 billion from P5.16 billion mainly from the drop in **trading gains** by 71.90% to P535.26 million from P1.90 billion due to the volatility in interest rates that diminished trading opportunities. Other factors related to the drop in non-interest income were the 40.22% fall in **trust fees** to P251.49 million from P420.72 million due to lower asset volume, and the **gain on asset foreclosure and dacion transactions**, which fell by 36.87% to P138.56 million from P219.47 million due to mark-to-market revaluation loss on the Bank's foreclosed properties. Meanwhile, **foreign exchange gains recovered** from a loss of P89.66 million in 2013 to a gain of P329.94 million because of the turnaround in the Bank's foreign exchange spot and swap transactions. **Service charges, fees, and commissions** were up by 35.05% to P1.56 billion from P1.16 billion mainly from higher investment banking fees, trade-related commissions, and branch-based fees. PDB contributed P160.23 million in total service charges, fees, and commissions, accounting for 39.53% of the increase. **Gain on sale of investment properties** decreased by 23.27% to P355.07 million from P462.74 million due to lower sales volume of foreclosed properties. The 46% growth in **miscellaneous income** to P1.59 billion from P1.09 billion can be attributed mainly to income gained from the Bank's increased stake in MCB Life from 5% to 40% amounting to P373.30 million. The share of non-interest income to gross revenues fell to 20.55% from last year's 26.82%.

Total operating expenses increased by 30.55% to P12.17 billion from P9.32 billion as the Bank continued to pursue its expansion strategy. Excluding provisions for impairment and credit losses, operating expenses

increased by 31.68% to P11.73 billion from P8.91 billion, resulting in a cost-to-income ratio of 62.23% vis-à-vis 59.00% in 2013. **Compensation and fringe benefits** increased by 33.99% to P4.17 billion from P3.11 billion mainly from the increase in human resource complement. The Bank's ongoing branch and business expansion caused an increase in the following items: 1) **occupancy costs** by 35.73% to P1.67 billion from P1.23 billion; 2) **stationery, supplies, and postages** by 25.35% to P876.93 million from P699.57 million; and 3) **repairs and maintenance** by 14.77% to P188.59 million from P164.32 million. Meanwhile, **taxes and licenses** increased by 27.46% to P1.06 billion from P828.26 million with the rise in business taxes. **Depreciation and amortization cost** of P923.20 million was 22.62% higher than last year's P752.89 million because of the depreciation cost related to bank premises. **Insurance costs** grew by 30.17% to P898.23 million from P690.03 million due to higher PDIC insurance fees from higher deposit volume. **Entertainment, amusement, and recreation** were up by 45.91% to P323.54 million from P221.74 million because of higher marketing and selling-related costs. **Transportation & travelling costs** of P371.65 million was 8.01% higher than last year's P344.08 million from the higher business volume and its corresponding travelling cost-related expenses. **Professional fees, marketing and other related services** was up by 31.56% to P229.02 million from P174.07 million because of higher advertising-related expenses. **Miscellaneous expenses** increased by 48.14% to P1.02 billion from P689.74 million due to higher expenses related to technology, banking fees, and sale of foreclosed properties, among others.

Income Statement – For the years ended December 31, 2013 and 2012

China Banking Corporation (China Bank, stock symbol CHIB) recorded a **net income** of P5.10 billion for 2013, which translated to an 11.31% return on equity and 1.45% return on assets.

Net interest income improved by 23.24% to P9.94 billion from P8.06 billion due to the decline in interest expense and growth in interest income. **Total interest income** increased by 7.07% to P14.08 billion from P13.15 billion same period last year. Higher volume of loan portfolio contributed to the increase in **interest income from loans and receivables**, up by 8.93% to P10.37 billion versus P9.52 billion in 2012. **Interest income from trading & investment securities** slightly decreased by 4.34% to P3.23 billion from P3.37 billion due to declining yields for government bond holdings. **Interest income from BSP and other banks** doubled to P481.74 million from P255.01 million as excess funds were channeled to BSP's Special Deposit Account.

Interest expense was down by 18.54% to P4.15 billion from P5.09 billion in Jan-Dec 2012 from lower cost of funds. Despite the higher volume of deposits, **interest expense on deposit liabilities** was down by P915.88 million or 18.45% to P4.05 billion from P4.96 billion as cost of deposits declined. Likewise, **interest expense on bills payable and other borrowings** dropped by 21.92% from P125.40 million to P97.92 million from lower cost of borrowings. **Net interest margin** slightly improved to 2.98% from 2.90% in 2012 mainly due to the lower cost of funds which offset the lower asset yields. **Provision for impairment and credit losses** of P414.34 million was higher by P177.58 million from the P236.76 million recorded last year to keep pace with the growth in loans and accounts receivables.

Fee-based income dropped by 10.93% to P5.16 billion from P5.79 billion last year mainly from the drop in **Trading and securities gain** by 34.68% to P1.90 billion from P2.92 billion last year due to the volatility in interest rates that diminished opportunities for trading gains. Meanwhile, **Income from service charges, fees and commissions** was up by 10.52% to P1.16 billion from P1.05 billion mainly from higher investment banking fees. **Income from gain on sale of investment properties** increased by 58.79% to P462.74 million from P291.42 million last year due to higher sales volume of foreclosed properties. **Trust fee income** were lower by 24.32% to P420.72 million from P555.95 million due to lower Trust volume from the full phase-out of SDA investments held under Trust arrangements. **Gain on asset foreclosure and dacion transactions** dropped significantly by 108.85% to P4.47 million from P50.54 million due to mark-to-market revaluation loss on the Bank's foreclosed properties. **Foreign exchange gain** registered a loss of P89.66 million versus forex gain of P259.10 million last year due to the negative interest differential on forex swaps and forex revaluation losses. The growth in **miscellaneous income** by 61.14% to P1.09 billion from P673.94 million can be attributed to dividends earned by the Parent bank, and higher income from bancassurance business. Share of fee-based income to total revenues was 26.82% from 30.58% last year.

Operating expenses (including provision for impairment and credit losses) increased by 10.57% to P9.32 billion from P8.43 billion while operating expenses (excluding provision for impairment and credit losses) was 8.71% or P713.36 million higher at P8.91 billion from P8.19 billion. **Compensation and fringe benefits** increased by 9.19% to P3.11 billion from P2.85 billion mainly from hiring of additional manpower and branch

expansion. **Occupancy costs** which include power, light, rental, security service, messengerial and janitorial costs were up by 15.45% to P1.23 billion from P1.07 billion from on-going branch expansion and renovations as well as the cost of transferring some Head Office units. **Depreciation and amortization cost** of P752.89 million was 8.77% or P72.41 million lower than the P825.30 million registered in the same period last year from lower depreciation cost in the Bank premises. **Stationery, supplies and postages** grew by 15.57% to P699.57 million from P605.32 million due to the Bank's growing network. **Insurance costs** grew by 21.41% to P690.03 million from P568.35 million due to higher PDIC insurance fees related to higher volume of deposits. **Transportation & travelling costs** were higher at P344.08 million by 8.70% or P27.55 million from higher business volume & travelling cost-related expenses. **Entertainment, amusement and recreation** was up by 7.36% to P221.74 million from P206.54 million due to higher marketing and selling-related costs. **Professional fees, marketing and other related services** was up by 5.46% to P174.07 million from P165.06 million from higher advertising-related expenses. **Miscellaneous expenses** increased by 14.10% to P689.74 million from P604.52 million due to higher technology-related expenses, expenses related to sale of foreclosed properties, banking fees, documentary stamps, among others. **Cost-to-income ratio** was registered at 59.00 % in 2013 vs 59.14% registered in 2012.

Total Comprehensive Income

For the years ended December 31, 2014, 2013, and 2012

Total comprehensive income for 2014 stood at P4.82 billion, higher by 14.32% or P604.26 million from the P4.22 billion in 2013 mainly from the higher net income and the net unrealized gain on AFS financial assets of P202.45 million in 2014.

On the other hand, total comprehensive income for 2013 was 6.93% or P314.38 million lower from the P4.53 million recorded in 2012 mainly from higher net unrealized loss on AFS investments of P1.44 billion offsetting the increase in translation adjustment.

(b) Key Performance Indicators

Definition of Ratios

Profitability Ratios:

Return on Average Equity	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Equity}}$
Return on Average Assets	-	$\frac{\text{Net Income after Income Tax}}{\text{Average Total Assets}}$
Cost to Income Ratio		$\frac{\text{Operating Expenses Less Provision for Impairment and Credit Losses}}{\text{Total Operating Income}}$
Net Interest Margin	-	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$

Liquidity Ratios:

Liquid Assets to Total Assets	-	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$
Loans to Deposit Ratio	-	$\frac{\text{Loans (Net)}}{\text{Deposit Liabilities}}$

Asset Quality Ratios:

New BSP Formula (BSP Circular 772)

Gross NPL Ratio	-	$\frac{\text{Gross Non-Performing Loans}}{\text{Gross Loans}}$
Non-Performing Loan (NPL) Cover	-	$\frac{\text{Gross Loan Loss Reserves}}{\text{Gross Non-Performing Loans}}$

Solvency Ratios

Debt to Equity Ratio	-	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Asset to Equity Ratio	-	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Interest Rate Coverage Ratio	-	$\frac{\text{Net Income Before Tax and Interest Expense}}{\text{Interest Expense}}$

Capital Adequacy Ratios:

Capital to Risk Assets Ratio	-	BSP prescribed formula:
Tier 1 CAR	-	$\frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Assets}}$
Total CAR	-	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk Weighted Assets}}$

	2014	2013	2012
PROFITABILITY (%)			
Return on Assets	1.12	1.45	1.71
Return on Equity	9.90	11.31	12.22
Net Interest Margin	3.30	2.98	2.90
Cost to Income Ratio	62.23	59.00	59.14
LIQUIDITY (%)			
Liquid Assets to Total Assets	32.91	42.80	36.47
Loans (net) to Deposit Ratio	72.73	62.25	69.90
ASSET QUALITY (%)			
Gross Non-Performing Loans Ratio	2.24	1.99	2.55
Non-performing Loan (NPL) Cover	101.25	146.62	134.88
SOLVENCY RATIOS			
Debt to Equity Ratio	7.33	8.11	6.58
Asset to Equity Ratio	8.33	9.11	7.58
Interest Rate Coverage Ratio	2.55	2.39	2.07
CAPITALIZATION (%)			
Capital Adequacy Ratio			
CET 1 / Tier 1	13.95	14.50	15.15
Total CAR	14.88	15.39	16.00

Profitability

CHIB's net income of P5.11 billion resulted in a ROE of 9.90% and ROA of 1.12%. Cost-to-income for the year was at 62.23% compared to 59.00% in 2013 due to the costs of business & network expansion. Net interest margin was recorded at 3.30%, better than last year's 2.98% because of the robust increase in interest income from loans and lower cost of funds.

Liquidity

Liquid assets comprised 32.91% of the Bank's total assets, lower than 42.80% in 2013 and 36.47% in 2012, as the Bank continued to expand its lending portfolio and channel fewer funds to interbank placements and BSP's facilities. Loans (net)-to-deposit ratio increased to 72.73% from 62.25% in 2013 and 69.90% in 2012.

Asset Quality

The Bank's gross NPL ratio was reported at 2.24% from 1.99% in 2013 and 2.55% in 2012. Consequently, loan loss coverage ratio declined to 101.25% from 146.62% in 2013 and 134.88% in 2012. The Parent Bank's loan loss coverage was at 157.35%.

Solvency Ratios

Debt-to-equity ratio for the year was computed at 7.33 compared to 8.11 in 2013 and 6.58 in 2012. Asset-to-equity ratio was at 8.33 as against 9.11 in 2013 and 7.58 in 2012. Meanwhile, interest rate coverage ratio was higher at 2.55 from 2.39 in 2013 and 2.07 in 2012.

Capitalization

The Bank maintained a sound capital position given its CET 1 / Tier 1 and Total CAR ratio of 13.95% and 14.88%, respectively. The annual increase in capital can be mainly attributed to the P8.00 billion stock rights offer last May 2014 and retained profits. The Bank's continued profitability contributed to its capital strength as well as capacity to regularly pay dividends to shareholders.

(c) Past Financial Conditions and Results of Operations

The Philippines continued to be among the world's best performing economies, with GDP growing by 6.1% in 2014, driven by positive investor confidence and manageable inflation. Domestic production improved with the rebound in agriculture (2.3% vs 1.2% in 2013) and continued momentum in the services (6.0%) and industrial sectors (7.5%). Growth in overall demand, on the other hand, came from exports (12.1%) and household consumption (5.4%) backed by robust remittance inflow (up 5.7% year-on-year). Along with continued fiscal discipline, the government's revenues grew by 10.8% year-on-year to P1.74 trillion from January to November 2014, which reduced fiscal deficit to P26.78 billion.

Fitch Ratings affirmed its investment rating of BBB- for the country, while *Standard and Poor's* and *Moody's* upgraded its ratings from BBB- to BBB and from Baa3 to Baa2, respectively. The rating agencies cited the robust economic growth, consistent debt servicing, well capitalized banking system, and an effective monetary policy as factors for the sovereign ratings upgrade.

Domestic liquidity (M3), for the year, totaled P7.6 trillion, up 9.6% year-on-year because of increased domestic credit, especially in the private and financial sector. This flow of funds to equities drove the Philippine Stock Exchange index (PSEi) to a record high of 7,360 in December 2014. The increase in liquidity prompted the Monetary Board (MB) to raise policy rates on two separate resolutions. Currently, overnight borrowing and lending rates are pegged at 4.0% and 6.0% respectively, while the SDA yield remained at 2.5%.

Global economic growth remains divergent with the uncertainty in the financial markets, deepening geopolitical risks, and declining oil prices. Following the phase down of QE3, the US continued to show robust growth with strong domestic consumption and job creation. The outlook for the Euro zone stays subdued given the weak investment and domestic demand. Whereas Japan is still recovering from a technical recession, emerging markets show a positive outlook because of potential savings from lower oil prices.

With the implementation of Basel III standards, commercial banks worked to strengthen common equity buffer through stock rights offering and Tier 2 notes issuance. The BSP, through Circular 839, also mandated local banks to subject their consolidated real estate exposures to stress testing and quantify its impact on qualifying capital. These measures required banks to reassess and measure risks at a system-wide level, channel more capital into lower risk-rated assets, and set prudent limits on credit risk exposures. Due to more stringent risk standards, industry CAR was at 16.66%, as of June 2014, down from 19.24% last year.

China Bank recorded a P5.11 billion net income in 2014. This translated to a 9.90% return on equity and 1.12% return on assets. The Bank's total assets grew to P470.94 billion, 13.84% higher year-on-year, mainly from the growth in loans portfolio and the integration of PDB's balance sheet. The consolidated network grew to 470 branches by year-end. Gross loan portfolio (inclusive of UDSC) increased 30.74% year-on-year to P297.65 billion from P227.66 billion because of the higher demand across all customer segments and the inclusion of PDB's loan book. Loans (net, inclusive of UDSC), on the other hand, grew by 31.68% to P290.42 billion from P220.54 billion. Total deposits increased by 12.71% to P399.30 billion from P354.27 billion mainly from larger branch network. Demand and savings deposits grew to P97.70 billion and P95.53 billion, respectively. Low-cost deposits grew by 24.08%, consequently improving our low cost-to-total deposits ratio to 48.39% from 43.96% in 2013. The Bank's CET 1 and total CAR were computed at 13.95% and 14.88%, respectively.

2014 was a year of milestones for CBC, which included the P8 billion stock rights offer, the P1.86 billion acquisition of Plantersbank and the increase in ownership stake from 5% to 40% in the bancassurance joint venture Manulife China Bank Life Assurance Corp. (MCBLife). With the retirement of Peter S. Dee last September 2014, the Board appointed Ricardo R. Chua as President and Chief Executive Officer. For the third year in row, the Bank was also recognized by the PSE as one of its 2014 Bell Awardees, its highest citation for listed companies and trading participants with exemplary corporate governance practices. The Bank was named Asia's Outstanding Company on Corporate Governance by Corporate Governance Asia, the most authoritative quarterly magazine on corporate governance in Asia. China Bank was also among the 50 highest-scoring publicly listed companies cited in the ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014.

Fitch Ratings affirmed the Bank's long-term issuer default rating (BB) and its viability rating (bb), with a stable outlook. The affirmation reflected the Bank's sound capital base, loan loss reserves, funding, liquidity, and strong domestic franchise. *Capital Intelligence* also affirmed the Bank's Financial Strength Rating at 'BBB-' with a 'Stable' Outlook. The rating reflected the Bank's solid CAR, sound liquidity, widening of NIM in the first half of

2014, well established franchise, and the large customer base supported by the expanding branch network and the entrenched relationship with the Chinese-Filipino community.

(d) Future Prospects

In 2015, the global economy is seen to grow unevenly across regions on the back of deepening geopolitical risks and dampening of inflation by the global oil surplus. The US is projected to sustain its growth momentum, while the ECB undertakes another bond-buying program to perk up the Eurozone. Emerging markets may also benefit from this QE via the influx of portfolio investments from the more advanced economies. On the other hand, the Philippines has much to gain from the drop in oil prices as the boost to disposable incomes would drive greater consumer & investment spending. The country's outlook remains positive considering the manageable inflation rate, the current account surplus, rising household consumption, steady capital build-up, growing OFW remittances and BPO businesses, and the gradual roll-out of PPP projects.

In 2015, China Bank will become a sharply-focused major player delivering sustained profitability, with over 500 branches and over 1.50 million client accounts. The Bank's major strategy will focus on acquiring customers, deepening relationships and enhancing quality of services with the objective of becoming the best Bank for its customers.

Following last year's reorganization which formed three major business segments—retail business banking, lending, and financial capital markets & investments segments—the Bank revamped its branch banking model to deepen customer relationship and build market share in key trading areas. The Bank will aggressively acquire institutional customers from fast-growing industries and continue to build up its FCDU deposit base to fund dollar-denominated facilities. On the commercial banking side, the Bank will grow its share among the next generation of MME and SME businesses while tapping existing synergies with the SM Group. For consumer lending, the Bank will develop debit cards and teachers' loans as a way to build up revenues from fees.

The Bank will continue to grow investment banking, trust business, bancassurance, and cash management services as well as diversify its securities portfolio into corporate and sovereign issues to maximize yields and bond distribution. The linchpin of the Bank's strategy in growing its fee-based businesses, acquiring customers, and retaining the existing client base is the public launch of the credit cards in the first half of 2015.

With the CBSI-PDB integration expected in 2015, the Bank will create a bigger business footprint within the commercial and consumer segments. It will focus on cementing relationships with "rising affluent" SMEs, market merchants, store owners, retailers, and suppliers. It will intensify the marketing of end-user home financing, auto loans, personal loans, and teachers' loans.

The Bank will also focus on cultivating the skills of internal talents and entrepreneurial mindset of front liners so as to efficiently address client's needs. It will accelerate training programs centered on customer service, sales management, leadership, and project management & execution.

With the implementation of the new core banking solution and the array of other technological platforms, the Bank expects greater operational efficiency through the centralization of the support infrastructure, the attainment of quicker response time and consistent service level standards.

(e) Material Changes

- (i) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

- (ii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Trust department accounts	₱71,201,164,035	₱67,447,457,904	₱65,826,813,367	₱63,479,015,562
Future exchange sold	26,415,835,382	36,116,560,158	26,415,835,382	36,116,560,158
Future exchange bought	20,223,682,405	20,778,554,007	20,223,682,405	20,778,554,007
Unused commercial letters of credit	19,500,527,619	17,574,202,929	19,185,363,619	17,573,829,122
IRS receivable	4,700,000,000	3,800,000,000	4,700,000,000	3,800,000,000
Spot exchange bought	1,207,450,000	1,770,013,561	1,207,450,000	1,770,013,561
Spot exchange sold	939,405,000	1,081,746,061	939,405,000	1,081,746,061
Outstanding guarantees issued	930,028,442	327,707,419	929,378,442	327,707,419
Late deposits/payments received	713,738,225	506,175,794	655,130,042	502,489,719
Deficiency claims receivable	297,072,923	297,072,923	297,072,923	297,072,923
Outward bills for collection	246,691,871	220,930,542	245,055,351	219,305,915
Inward bills for collection	242,966,245	231,328,492	242,966,245	231,328,492
Others	5,928,247,783	2,684,834,278	2,657,244,208	2,684,780,321

(iii) Any Material Commitments for Capital Expenditure and Expected Funds

Branch network expansion and technology upgrades will account for the bulk of the Bank's capital expenditures for 2015. Capital expenditures will be funded from internal sources.

Item 7. Financial Statements

Please refer to the attached Annex A for the Audited Financial Statements for the years 2014 and 2013.

SyCip Gorres Velayo & Co. (SGV & Co.) / Ernst & Young has been the Bank's independent accountant for more than 20 years and is again recommended for appointment at the scheduled annual stockholders' meeting.

None of the Bank's external auditors have resigned during the two (2) most recent fiscal years (2013 and 2014) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Vicky Lee Salas was assigned in 2011 as SGV & Co./Ernst & Young's partner-in-charge for the Bank.

Representatives of SGV & Co/Ernst & Young are expected to be present at the annual stockholders' meeting to respond to any matter that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

Fiscal Year	Audit Fees and Other Related Fees	Tax Fees
2014	P2,046,000.00	---
2013	P1,860,000.00	---

The above audit fees are inclusive of other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements. The matter of the 2014 audit fees was taken up and approved by the Audit Committee at its regular meeting on February 18, 2015.

Apart from the matter of audit fees, the Board/Audit/Executive/Risk Management Committee likewise discussed/approved/authorized to engage the services of SGV & Co./Ernst & Young in non-audit work in 2014, particularly, for the independent validation of votes in the May 8, 2014 annual stockholders' meeting; and in relation to the Bank's stock rights offering. In the past years, the Bank also engaged their services for the conduct of an independent security assessment of the Bank's systems, independent validation of the Bank's risk measurement and pricing models, and implementation of Internal Capital Adequacy Assessment Process (ICAAP), and strengthening of risk management and audit processes through project engagements which include ICAAP for Internal Audit, ICAAP Phase 2, Risk Model Validation and ICRRS.

The Bank's Audit Committee, which is composed of Messrs. Alberto S. Yao (Chairman), Joaquin T. Dee, and Dy Tiong, approves the audit fees and fees for non-audit services, if any, of external auditors, as emphasized in Article V, paragraph M of the Committee's Charter.

SGV & Co./Ernst & Young also confirmed that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave significant consideration to in reaching the conclusion that independence has not been impaired.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The financial statements of the Bank for the year ending 31 December 2014 and 31 December 2013 have been audited by SGV & Co./Ernst & Young in accordance with Philippine Financial Reporting Standards. There were no changes in and disagreements with accountants on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) Incumbent Directors and Advisor:

Hans T. Sy, 59, Filipino, is the Chairman of the Board. He was elected to the China Bank Board as Director on May 21, 1986, served as Vice Chairman of the Board from 1989 to 2011, has been the Chairman of the Executive Committee since 1989, and Chairman of the Board since May 5, 2011. Chairman Sy has completed various training programs to enhance his competence in performing his functions; in 2014, he attended an Exclusive Corporate Governance Workshop facilitated by The Institute of Corporate Directors (ICD) and an Anti-Money Laundering training conducted by the Bangko Sentral ng Pilipinas (BSP) Anti-Money Laundering Council (AMLC) Secretariat. In addition to China Bank, he is Director and President of SM Prime Holdings, Inc., and serves as adviser to the board of SM Investments Corporation, which are listed in the Philippine Stock Exchange (PSE), and as director of various companies in the SM Group. He graduated from the De La Salle University with a degree in Mechanical Engineering.

Henry Sy, Sr., 90, Filipino, is the Honorary Chairman of the Board. His election on May 18, 2006 was formalized on February 7, 2007 after clearances from the BSP and Securities and Exchange Commission (SEC) were obtained; he has also been an Advisor to the Board since 1997. He is the Chairman of listed companies: SM Investments Corporation, BDO Unibank, Inc. (*Emeritus*), and SM Prime Holdings, Inc. (*Emeritus*). Mr. Sy holds an Associate in Commercial Science degree from the Far Eastern University and was conferred a doctorate degree in Business Management *Honoris Causa* by the De La Salle University.

Gilbert U. Dee, 79, Filipino, is the Vice Chairman of the Board. He was elected as member of the Board on March 6, 1969, serving as Chairman from 1989 to 2011; he has been the Vice Chairman of the Board since May 5, 2011. He has attended the ICD's corporate governance workshop in January 2014, and BSP-AMLC's anti-money laundering training in August 2014. For his past positions, Vice Chairman Dee was Director of Philippine Pacific Capital Corporation, Philex Mining Corporation, and CBC Finance Corporation. At present, he does not hold directorship position in other PSE-listed companies; he is the Chairman of Union Motor Corporation and of China Bank subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI), and Director of Super Industrial Corporation, all non-listed companies. Mr. Dee holds a Bachelor of Science degree in Banking from the De La Salle University, and a Masters in Business Administration (MBA) degree in Finance from the University of Southern California.

Ricardo R. Chua, 63, Filipino, was elected as Director on May 8, 2008. He was China Bank's Chief Operating Officer from 1995, until he was elected as President and Chief Executive Officer effective 01 September 2014. The trainings he attended include, an Orientation Course on Corporate Governance for Bank Directors in 2002, Anti-Money Laundering Act seminars in 2009 and 2014, and Corporate Governance Workshop in January 2014. He was the Director/Treasurer of CBC Venture Capital Corp. from 1989 to 2003, and Director of the Philippine Clearing House Corp. from 2005 to 2011. He is currently a member of the Boards of China Bank subsidiaries China Bank Savings, Inc. (CBSI), Chinabank Insurance Brokers, Inc. (CBC-IBI), CBC-PCCI and Planters Development Bank (Plantersbank); and Director of Manulife China Bank Life Assurance Corp. (MCBLife), CAVACON Corporation, and Sun & Earth Corporation, among others. Apart from China Bank, he does not hold position in any company listed in the PSE. A certified public accountant, Director Chua graduated with a Bachelor of Science degree in Business Administration, Major in Accounting, *cum laude*, from the University of the East, and he holds an MBM degree from the Asian Institute of Management (AIM).

Peter S. Dee, 73, Filipino, has been a member of the Board since April 14, 1977. He previously served as President and Chief Executive Officer of the Bank from 1985 until his retirement effective 31 August 2014. He has attended various trainings related to banking, the most recent of which are an exclusive corporate governance workshop in January 2014 and anti-money laundering training in August 2014. He was formerly director in companies which include Sinclair (Phils.) Inc. and Can Laquer, Inc. Presently, Director Dee holds directorships in China Bank subsidiaries CBC-PCCI and CBC-IBI, in Hydee Management & Resources Corporation, Commonwealth Foods, Inc., and GDSK Development Corporation, as well as independent directorships in the following PSE-listed corporations: City & Land Developers, Inc. and Cityland Development Corporation. He is a graduate of the De La Salle University/University of the East with a Bachelor of Science Degree in Commerce. He also completed a Special Banking course from the American Institute of Banking.

Joaquin T. Dee, 79, Filipino, was elected as Director on May 10, 1984. He attends continuing education program related to banking; in 2014 alone, he was at ICD's Exclusive Corporate Governance Workshop in January and BSP-AMLC's Update on AMLA training in August. He was the Vice President for Sales and Administration of Wellington Flour Mills from 1964 to 1994. At present, he serves as Director/President of JJACCIS Development Corporation and Enterprise Realty Corporation, and Director/Treasurer of Suntree Holdings Corporation; all companies are not listed in the PSE. Director Dee holds a Bachelor of Science degree in Commerce from the Letran College.

Dy Tiong, 85, Filipino, is an Independent Director for three (3) years in accordance with SEC Memorandum Circular No. 9, Series of 2011. He was elected to the China Bank Board on May 9, 1985. He has completed the Exclusive Corporate Governance Workshop in January 2014, and the Update on AMLA training in August 2014. Director Dy Tiong was a Director of CBC Finance, Inc. from 1980 to 2001 and President of Panelon Development Corporation from 1990 to 1994. He is currently Vice Chairman of Panelon Philippines, Inc., Honorary Chairman of Chiang Kai Shek College, and Chairman *Emeritus* of the Dr. Sun Yat Sen Society, all of which are not listed in the PSE. He is a graduate of the National Jean Kuan College with a degree of Bachelor of Science in Business Administration.

Herbert T. Sy, 58, Filipino, was elected Director on January 7, 1993. He participated in several banking-related trainings, such as Orientation Course on Corporate Governance for Bank Directors in 2002, Anti-Money Laundering Act of 2001 Seminar in 2009, Exclusive Corporate Governance Workshop in January 2014, and Update on AMLA training in August 2014. Director Sy has been a director and/or officer for more than five (5) years in companies engaged in food retailing, rubber manufacturing, investment, real estate development and mall operations. He is presently Director of Supervalu, Inc., Super Shopping Market, Inc., Sondrik, Inc., National

University, and Sanford Marketing Corp., all non-listed companies; and Director of PSE-listed company, SM Prime Holdings, Inc. He holds a Bachelor of Science degree in Management from the De La Salle University.

Harley T. Sy, 55, Filipino, has been a Director since May 24, 2001. Among the seminars he attended were an Orientation Course on Corporate Governance for Bank Directors in 2002, Enterprise Risk Management in 2008, Anti-Money Laundering Act (AMLA) of 2001 Seminar in 2009, Exclusive Corporate Governance Workshop in January 2014, and Update on AMLA training in August 2014. At present, Director Sy is the President of PSE-listed company SM Investments Corporation. He also holds positions in various companies not listed in the PSE, such as Director of SM Synergy Properties Holdings Corporation, Sybase Equity Investments Corporation, and Tagaytay Resort Development Corporation. He took up Bachelor of Science in Commerce, Major in Finance, from the De La Salle University.

Alberto S. Yao, 68, Filipino, is an Independent Director for three (3) years in accordance with SEC Memorandum Circular No. 9, Series of 2011. He was elected to the China Bank Board on July 7, 2004. In 2004, he attended a Director Orientation Course; in 2009, a seminar on Anti-Money Laundering Act of 2001; in January 2014, a Corporate Governance Workshop; and in August 2014, an Update on AMLA training. He was Vice President for Merchandising of Zenco Sales, Inc. from 1968 to 1975. He currently serves in companies not listed in the PSE – as President & CEO of Richwell Trading Corporation, Richwell Philippines, Inc., Europlay Distributor Co., Inc., and Internationale Globale Marques, Inc.; President of Richphil House Incorporated, and Megarich Property Ventures Corp.; and Independent Director of CBSI and Plantersbank. Director Yao holds a Bachelor of Science degree in Business Administration from the Mapua Institute of Technology.

Roberto F. Kuan, 66, Filipino, is an Independent Director for three (3) years in accordance with SEC Memorandum Circular No. 9, Series of 2011. He was elected to the China Bank Board on May 5, 2005. He completed the Orientation Course on Corporate Governance in 2005, a seminar on Anti-Money Laundering Act of 2001 in 2009, Corporate Governance Workshop in January 2014, and Update on AMLA training in August 2014. Director Kuan is the founder and former President of Chowking Food Corporation, and former Chairman/President of Lingnam Enterprises, Inc. He counts as among his present affiliations his trusteeships in St. Luke's Medical Center, SLMC Global City, Inc., St. Luke's College of Medicine – William H. Quasha Memorial, and Brent International School, Inc.; and his independent directorships in Seaoil Phils., Inc., Towers Watson Insurance Brokers Philippine Inc., CBSI, and Plantersbank. He is also an Independent Director of Far Eastern University, Incorporated, a company listed in the PSE. He is a graduate of the University of the Philippines with a Bachelor of Science degree in Business Administration, obtained his Masters in Business Management (MBM) from the AIM, and was conferred a Doctorate degree in Humanities *Honoris Causa* by the Lyceum Northwestern University. He also attended the Top Management Program conducted by AIM in Bali, Indonesia.

Jose T. Sio, 75, Filipino, was elected as Director on November 7, 2007. He is also the Chairman of Trust Investment Committee. He has completed various trainings here and abroad, including debt and equity financing during the Euromoney Conference in China in 2005, corporate governance seminars conducted by the De La Salle University in 2003 and by the ICD in February 2014, and anti-money laundering seminars conducted by BSP in 2009 and 2014. He is presently affiliated with the following companies listed in the PSE: (i) SM Investments Corporation, as Director, Executive Vice President and Chief Finance Officer, and member of the Executive Committee; (ii) Atlas Consolidated Mining and Development Corporation, as Director and Member of Executive Committee; (iii) Belle Corporation, as Director; (iv) BDO Unibank, Inc., as Adviser to the Board of Directors; (v) Premium Leisure Corporation, as Adviser to the Board of Directors; and (vi) SM Prime Holdings, Inc., as member of Audit and Risk Management Committee. Mr. Sio also serves as Director in several companies not listed in the PSE: (i) SM Keppel Land, Inc.; (ii) Asia Pacific College; (iii) OCLP (Ortigas) Holdings, Inc.; (iv) Carmen Copper Corporation; (v) Manila North Tollways Corporation; and (vi) First Asia Realty Development Corporation. He is the President of SM Foundation, Inc. and Global Fund Holdings, Inc. Mr. Sio was a Senior Partner of SyCip Gorres Velayo & Co. (SGV) from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as *Alpha Southeast Asia*, *Corporate Governance Asia*, *Finance Asia* and *The Asset*. Mr. Sio is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce, major in Accounting, from the University of San Agustin. He obtained his Master's degree in Business Administration from the New York University, U.S.A.

Note: Messrs. Gilbert U. Dee and Peter S. Dee are related within the fifth civil degree of consanguinity. Messrs. Hans T. Sy, Herbert T. Sy, and Harley T. Sy are related within the second civil degree of consanguinity; Mr. Henry Sy, Sr. is their father.

For the period January to December 2014, the Board had 15 meetings, including the organizational meeting. The incumbent directors attended/participated in more than 50% of all the meetings, as follows:

Director	Attendance
Hans T. Sy	14
Gilbert U. Dee	14
Ricardo R. Chua	12
Peter S. Dee	14
Joaquin T. Dee	15
Dy Tiong	15
Herbert T. Sy	13
Harley T. Sy	14
Alberto S. Yao	14
Roberto F. Kuan	15
Jose T. Sio	12

(b) Executive Officers:

Carlos M. Borrromeo, 49, Filipino, was appointed by the Board on November 5, 2014 as Chief Financial Officer and Head of Financial Management Segment of China Bank effective November 17, 2014. As he will continue to function as President of Planters Development Bank (Plantersbank), his interlocking appointment to China Bank is subject to approval of the Monetary Board. Mr. Borrromeo has attended various trainings in banking and other related fields, some of which are on Treasury Management, financial engineering and advanced derivatives, asset liability and risk management, Anti-Money Laundering Act (AMLA) Know Your Customer (KYC), and corporate governance. In the past, he was Director of Security Finance Inc. from 2004 to 2011 and SB Cards Corporation from 2007 to 2010, Chief Financial Officer of Security Bank Corporation from 2007 to 2011, and Chief Financial Officer of Plantersbank in 2012. He is a graduate of the Ateneo de Manila University with a degree in Bachelor of Arts Major in Economics. He obtained his Masters in Business Management from the Asian Institute of Management (AIM).

Antonio S. Espedido, Jr., 59, Filipino, is the Executive Vice President and Head of Financial Capital Markets & Investment Segment, and concurrent Head of Treasury Group. He has completed trainings on fund transfer pricing, strategic thinking, project and portfolio management, and corporate governance. Prior to joining China Bank, he held officership positions in the Bank of the Philippine Islands (BPI) and Citytrust/BPI. He is currently Director of China Bank subsidiaries, CBC Forex Corporation (CBC Forex), China Bank Savings, Inc. (CBSI), and Plantersbank. He is a graduate of the University of San Francisco, USA with a Bachelor of Science degree in Business Administration.

William C. Whang, 56, Filipino, Executive Vice President, is the Head of Lending Business Segment, and concurrent Head of Institutional Banking Group. He has attended trainings on corporate governance, branch based marketing, quality service management, and sales management. He has more than 30 years of banking experience, formerly holding positions in Metrobank, Republic National Bank of New York, International Exchange Bank, Sterling Bank of Asia, and other financial institutions. He is currently the Director/Treasurer of China Bank Insurance Brokers, Inc. (CBC-IBI) and CBC Properties and Computer Center, Inc. (CBC-PCCI). Mr. Whang obtained his Bachelor of Science degree in Commerce, Major in Business Management, from the De La Salle University.

Nancy D. Yang, 75, Filipino, Senior Vice President, is the Head of the Retail Banking Business. She has attended several training programs here and abroad, including the Allen Management Program, BAI Retail Delivery Conference in San Francisco, Phoenix, Arizona, and Miami, Florida, USA, Environmental Risk Management for Bankers conducted by the Bank of America, Branch Based Marketing, Internal Credit Risk Rating Workshop, Corporate Governance seminars conducted by Bangko Sentral ng Pilipinas (BSP) and The Institute of Corporate Directors (ICD). She currently serves in the boards of Plantersbank and CBC-IBI as director, and of CBSI as Vice Chairman. She is related within the second civil degree of consanguinity to Director Peter S. Dee. Ms. Yang holds a Bachelor of Arts degree from the Philippine Women's University and a post graduate scholarship grant in Human Development & Child Psychology from Merrill Palmer Institute in Detroit, Michigan, USA.

Ramon R. Zamora, 66, Filipino, Senior Vice President, is the Head of Centralized Operations Group, Remittance Business Operations and Correspondent Banking. He had extensive training on financial products, credit risk

management, IFRS, electronic banking, and corporate governance, among others. He was formerly a Vice President at Citibank N.A. At present, he is also a Director of CBC Forex, CBC-PCCI, CBSI, and Plantersbank. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Rene J. Sarmiento, 61, Filipino, Senior Vice President, is the Head of Trust Group. Among the seminars and trainings he attended are on corporate governance, estate planning, and risk management practices on trust, other fiduciary business and investment management activities. He has over 30 years of investment and trust operations experience gained from Ayala Investment and Development Corporation, Far East Bank & Trust Company, and Security Bank Corporation. He is currently a Director of CBSI. A certified public accountant, Mr. Sarmiento obtained his Bachelor of Science degree in Commerce, Major in Accounting, *magna cum laude*, from the De La Salle University. He also holds a Masters in Business Management degree from the AIM.

Alexander C. Escucha, 58, Filipino, Senior Vice President, is the Bank's Investor Relations Officer and Head of the Investor and Corporate Relations Group. He served as President of the Philippine Economic Society and concurrent Chairman of the Federation of ASEAN Economic Associations (FAEA), and as President of the Corporate Planning Society of the Philippines, and Bank Marketing Association of the Philippines. He had attended seminars such as the corporate governance orientation conducted by the ICD in 2014, and had been a delegate in various economic briefings and conferences, such as the JP Morgan Philippine Conference in 2013. He is also an international resource person at The Asian Bankers Summit. Prior to joining China Bank, Mr. Escucha was Vice President at International Corporate Bank. He is currently a Director of CBSI and Plantersbank, and Chairman of the UP Visayas Foundation, Inc. He obtained his Bachelor of Arts degree in Economics, *cum laude*, from the University of the Philippines.

Alberto Emilio V. Ramos, 55, Filipino, Senior Vice President, was seconded to CBSI in 2011, currently functioning as its Director and President. He completed numerous trainings related to banking such as on corporate governance, treasury products, asset-liability management, credit and financial analysis, and strategic marketing planning. Prior to joining the Bank in 2006 as Head of Private Banking Group, he was President of Philam Asset Management, Inc. He has also held several officership positions in Bank of the Philippine Islands, Citytrust Banking Corporation, Western State Bank, Tokai Bank of California, Urban Development Bank and Filinvest Credit Corporation. Aside from CBSI, Mr. Ramos also sits in the board of Plantersbank, is a nominee to the additional seat of China Bank in the Board of Directors of Manulife China Bank Life Assurance Corporation (MCBLife), as approved by the Board on November 5, 2014, and is a Trustee/Treasurer of the Chamber of Thrift Banks. He graduated from the De La Salle University with Bachelor of Arts degree in Political Science and Bachelor of Science degree in Marketing Management. He also holds a Masters degree in Business Management from the AIM and has a Treasury Professional Certificate from the Bankers Association of the Philippines.

Rosemarie C. Gan, 57, Filipino, Senior Vice President, is the Deputy Group Head of Retail Banking Business. She has been with the Bank for over 36 years, and has extensive exposure and training in marketing, financial analysis, credit portfolio management, strategic planning and corporate governance. She attended the BAI Retail Delivery Conference conducted by the Bank Administration Institute in October 2012, and Corporate Governance Workshop conducted by the ICD in January 2014. Ms. Gan graduated *magna cum laude* from the University of Santo Tomas with a Bachelor of Science degree in Business Administration, Major in Management, and was a recipient of the distinguished Rector's Award. She attended AIM's Advanced Bank Management Program in 2013.

Virgilio O. Chua, 48, Filipino, First Vice President II, is the Head of Investment Banking Group. He has 27 years of experience in the fields of investment banking, corporate banking, and credit risk management. He also has had extensive training on capital markets and investment banking, project finance, mergers and acquisitions, account management, financial markets, corporate risk assessment, and corporate governance. Before joining China Bank, he held senior executive positions at Citibank N.A., First Metro Investment Corp., and ING Bank, N.V. He holds a Management Engineering degree from the Ateneo de Manila University.

Victor O. Martinez, 49, Filipino, First Vice President II, is one of the Division Heads of Corporate Banking at Institutional Banking Group. His trainings in banking and related fields focused on strategic account planning, cash management, credit analysis, treasury products and derivatives, and financial statements analysis. He was formerly Director of Corporate and Institutional Relationships at Australia and New Zealand Banking Group Limited. Mr. Martinez obtained his Bachelor of Science degree in Commerce/Management of Financial Institutions from the De La Salle University, and finished his Master of Management degree from the Willamette University, Oregon, USA.

Philip S.L. Tsai, 64, Filipino, First Vice President, is the Region Head for Retail Banking Business – Metro Manila – South. He has been with the Bank for over 20 years, and had attended trainings on International Management conducted by Chemical Bank New York, and the BAI Retail Delivery Conference in Las Vegas, Nevada, USA. Mr. Tsai holds a Bachelor of Science degree in Business Administration from the University of the Philippines and obtained his MBA from the Roosevelt University in Chicago, Illinois.

Gerard T. Dee, 51, Filipino, First Vice President, is one of the Division Heads of Commercial Banking at Institutional Banking Group. He attended trainings on core credit, remedial management and relationship marketing. He has more than 20 years of work experience in the banking industry, having previously worked in Security Bank Corporation, TA Bank of the Philippines, and Banco de Oro. Mr. Dee holds a Bachelor of Science degree in Marketing from the De La Salle University and has obtained his MBA from the New Hampshire College. He is related within the first civil degree of consanguinity to Mr. Gilbert U. Dee, Vice Chairman of the Board.

Ananias S. Cornelio III, 39, Filipino, First Vice President, is the Chief Risk Officer of China Bank. Among the trainings he completed focused on corporate governance, macro prudential supervision and regulatory change, risk management and governance, Basel Standards, fixed income, credit derivatives and structured products, interest rate and currency derivatives, ISDA documentation, and economic forecasting. He has also participated as panelist/speaker in major events in the region which include The Asian Banker Summit, ASEAN Risk Forum, Risk Minds Asia, and ADB Regional Forum on Financial Asset and Liability, and as a resource person/lecturer for the Bankers Institute of the Philippines (BAIPHL). He was formerly Chief Risk Officer at Development Bank of the Philippines, risk manager at Rizal Commercial Banking Corp., and auditor at First Metro Investment Corp. and Solidbank Corporation. Mr. Cornelio holds a Bachelor of Science degree in Commerce from the San Beda College graduating with academic distinction, obtained his Masters in Public Administration from the National University of Singapore, and has completed a Bank Management Course from AIM and JAVA Programming & DBMS from the NIIT Computer School.

Corazon I. Morando, Filipino, is the Vice President and Corporate Secretary of China Bank. In order to ensure the continuous development of her competence in performing her functions, she has attended various trainings, which include seminars on non-bank financial intermediaries, anti-money laundering, and corporate governance best practices. She was formerly Director of the Legal Department of the Securities and Exchange Commission of the Philippines. Aside from China Bank, she also serves as Consultant on Legal and Corporate Affairs of the SM Group of Companies. In 2014, she was named as “Asian Company Secretary of the Year” by the *Corporate Governance Asia* in Hongkong, recognizing her vital role in promoting and upholding corporate governance in China Bank. She is a Bachelor of Laws graduate of the University of the Philippines, and she took up graduate studies under the MBA-Senior Executive Program from the Ateneo de Manila University.

Note 1: All the foregoing officers have been involved in the banking industry for more than five (5) years.

Note 2: None of the above-mentioned directors and officers works with the government.

(c) Nominees for election as Directors and Independent Directors:

Nominee as Director	Person who Nominated	Nominee as Independent Director	Person who Nominated and Relationship with Nominee
Hans T. Sy	Sysmart Corporation	Dy Tiong	Johnny Cheng T.K., Jr., son-in-law
Gilbert U. Dee	Linda Susan T. Medoza	Alberto S. Yao	Lucky Securities, Inc., no relation
Ricardo R. Chua	Zenaida C. Milan	Roberto F. Kuan	Regina Capital Development Corp., no relation
Peter S. Dee	Nancy D. Yang		
Joaquin T. Dee	Christopher T. Dee		
Herbert T. Sy	Sysmart Corporation		
Harley T. Sy	SM Investments Corporation		
Jose T. Sio	SM Investments Corporation		

Upon initial determination, based on the Nomination Forms and attachments submitted to the Nominations and Corporate Governance Committees, the nominees for directors and independent directors were found to possess all the qualifications and none of the disqualifications of a director or independent director, and their qualities are aligned with the Bank's strategic directions.

The Nominations Committee is composed of Messrs. Dy Tiong (Chairman), Joaquin T. Dee, Hans T. Sy, Alberto S. Yao, and Roberto F. Kuan.

(d) Involvement in Legal Proceedings

For the past five (5) years, the Bank, its affiliates, subsidiaries, directors and officers, have not been involved in any legal proceedings that would affect their ability, competence or integrity, and/or would involve a material or substantial portion of their property before any court of law, quasi-judicial body or administrative body in the Philippines or elsewhere, except in the usual routine cases directed against the Bank, arising from the ordinary conduct of its business.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of fourteen (14) in-house lawyers who are graduates of reputable law schools in the country. For its external counsels, the Bank retains the services of the respected law firms, among which are, ACCRA Law Office, Angel Cruz Law Office and Britanico Sarmiento & Ringler Law Offices.

(e) Significant Employees

The Bank highly values its human resources. It expects each employee to do his share in achieving the Bank's set goals; in return, the Bank has in place policies and programs for the protection and growth of employees.

(f) Family Relationships

Messrs. Hans T. Sy, Herbert T. Sy and Harley T. Sy, all Directors of the Bank, are brothers; Mr. Henry Sy, Sr., is their father. Ms. Nancy D. Yang, Senior Vice President & Head of Retail Banking Business, is the sister of Director Peter S. Dee. Mr. Gerard T. Dee, First Vice President, Institutional Banking Group, is the son of Mr. Gilbert U. Dee, Vice Chairman of the Board.

Item 10. Executive Compensation

Name	Year	Salary	Bonuses & Other Compensation	TOTAL
Total for the 5 most highly compensated executive officers*	2015 (estimates)	P39,372,753.00	P40,585,187.00	P79,957,940.00
	2014 (actual)	37,858,416.00	40,592,758.00	78,451,174.00
	2013 (actual)	40,568,244.00	39,696,215.00	80,264,459.00
Total for all officers and directors	2015 (estimates)	P848,768,168.00	P499,016,818.00	P1,347,784,986.00
	2014 (actual)	808,350,636.00	478,514,307.00	1,286,864,943.00
	2013 (actual)	742,759,548.00	356,459,270.00	1,099,218,818.00

* For years 2015 and 2014: Messrs. Ricardo R. Chua, Gilbert U. Dee, Antonio S. Espedido, Jr., William C. Whang and Ms. Nancy D. Yang.
For year 2013: Messrs. Gilbert U. Dee, Peter S. Dee, Ricardo R. Chua, Antonio S. Espedido, Jr. and Ms. Nancy D. Yang.

Other than those relating to the foregoing figures, there are no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of or extension of any option warrant or right to purchase any securities between the Bank and its directors and officers. The officers receive compensation based on their performance, banking experience, employment status, position and rank in the Bank. On the other hand, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committee and to 4% of the Bank's net earnings, in accordance with Article IV, Section 11, and Article VIII, Section 1 (a) of the Bank's Amended By-Laws. The directors and officers have no other compensatory arrangement with the Bank.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management as of February 28, 2015

(a) Record and beneficial owners holding 5% or more of voting securities:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	PCD Nominee Corporation * 37 th Floor Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Non-Filipino	432,933,265	25.22%
Common	SM Investments Corporation 10 th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Sy Family PCD Nominee Corporation Stockholders	Filipino	295,267,293	17.20%
Common	Sysmart Corporation 10 th Floor L.V. Locsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Henry Sy, Sr. and Family Sycamore Pacific Corporation Stockholders	Filipino	254,290,183	14.82%
Common	PCD Nominee Corporation * 37 th Floor Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Filipino	202,673,787	11.81%

*Based on the list provided by the Philippine Depository & Trust Corporation to the Bank's transfer agent, Stock Transfer Service, Inc., as of February 28, 2015, The Hongkong and Shanghai Banking Corporation Ltd. (253,636,971 shares or 14.777%) holds 5% or more of the Bank's securities. The beneficial owners, such as the clients of PCD Nominee Corporation, have the power to decide how their shares are to be voted.

Mr. Henry Sy, Sr.'s family is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation and, as such, could direct the voting or disposition of the shares of said companies.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

(b) Directors and Management:

Title of Class	Name	Position	Amount & Nature of Beneficial/Record Ownership	Citizenship	Percent
(i) Directors					
Common	Hans T. Sy	Chairman of the Board	2,152,408	Filipino	0.125%
Common	Gilbert U. Dee	Vice Chairman	9,132,984	Filipino	0.532%
Common	Ricardo R. Chua	President & CEO	93,155	Filipino	0.005%
Common	Peter S. Dee	Director	1,116,967	Filipino	0.065%
Common	Joaquin T. Dee	Director	33,014,215	Filipino	1.923%
Common	Dy Tiong	Independent Director	158,182	Filipino	0.009%
Common	Herbert T. Sy	Director	326,428	Filipino	0.019%
Common	Harley T. Sy	Director	74,403	Filipino	0.004%
Common	Alberto S. Yao	Independent Director	5,674	Filipino	0.000%
Common	Roberto F. Kuan	Independent Director	21,570	Filipino	0.001%
Common	Jose T. Sio	Director	2,248	Filipino	0.000%
Total			46,098,234		2.686%
(ii) Executive Officers (in addition to Messrs. Gilbert U. Dee and Ricardo R. Chua)					
Common	Nancy D. Yang	Senior Vice President	1,940,602	Filipino	0.113%
Common	Rene J. Sarmiento	Senior Vice President	16,942	Filipino	0.001%
Common	Rosemarie C. Gan	Senior Vice President	83,131	Filipino	0.005%
Common	Gerard T. Dee	First Vice President	5,026	Filipino	0.000%
Total			2,045,701		0.119%
GRAND TOTAL			48,143,935		2.805%

(c) Other officers, supervisors and staff:

	Name	Position	Total Outstanding Shares
1	Alameda, Evelyn R. Tumacder	Officer	3,425
2	Alano, Ma. Hildelita P.	Officer	3,425
3	Ang, Patrick Yu	Officer	2,138
4	Antonio, Ma. Cristina G.	Officer	4,443
5	Bernabe, Virginia T.	Officer	5,323
6	Cacanindin, Katherine D.	Staff	132
7	Capacio, Victoria G.	Officer	674
8	Cariño, Lilibeth R.	Officer	2,613
9	Cervania, Lamberto R.	Staff	198
10	Chan, Irene C.	Officer	2,020
11	Chua, Victoria L.	Officer	10,553

	Name	Position	Total Outstanding Shares
12	Cootauco-Sy, Clara	Officer	151,494
13	Cuevas, Charmaine	Officer	606
14	Dee-Cruz, Angela Ty	Officer	1,048,396
15	Del Rosario, Reylenita M.	Officer	1,847
16	Dela Cruz, Jaime G.	Staff	287
17	Desengañó, Juliana U.	Officer	767
18	Elarmo, Leilani B.	Officer	437
19	Encinas-Tiu, Mary Ann Habalo	Officer	1,699
20	Evangelista, Adela A.	Officer	6,083
21	Faigao, Eleanor Q.	Officer	1,808
22	Galang, Hyacinth M.	Officer	3,100
23	Guda, John Ryan B.	Staff	132
24	Labalan, Melecio C. Jr.	Officer	7,913
25	Lao, Caroline Cua	Staff	369
26	Lazaro-Manuel, Gina Torres	Officer	1,699
27	Liamson, Estela A.	Officer	606
28	Macatangay, Cherree M.	Staff	132
29	Marcelo, Florina L.	Officer	6,333
30	Marquez, Delia	Officer	14,776
31	Mendoza, Linda Susan T.	Staff	29,981
32	Meniado, Maribel S.	Officer	34,455
33	Milan, Zenaida	Officer	2,614
34	Millo, Haydee Grace M.	Staff	370
35	Morando, Corazon I.	Officer	3,531
36	Ochoco-Soriano, Anita C.	Officer	895
37	Orquiola, Leilanie L.	Staff	132
38	Pablo, Pamela D.	Staff	131
39	Paglinawan, Marisse Yvette S.	Officer	2,160
40	Pajarillo, Maria Vida G.	Staff	822
41	Punsalan, Mary Ann A.	Officer	2,388
42	Purificacion, Noreen	Officer	606
43	Quintanilla, Alvin A.	Officer	674
44	Sy, Teresita Gabaldon	Officer	1,560
45	Tan, Anna Liza M.	Officer	4,100
46	Tan, Belenette C.	Officer	3,201
47	Shirley T. Tan	Officer	10,210
48	Te, Manuel M.	Officer	2,006
49	Torralba, Edna A.	Officer	9,971
50	Trinidad, Salina E.	Staff	477
51	Ty, Jasmin Ongchan	Officer	9,124
52	Uy, Virginia Y.	Officer	16,724
53	Villasanta, Marivi Maniquis	Staff	393
54	Virata, Maria Lorna A.	Officer	606
55	Yabut, Rosario D.	Officer	1,082
56	Yandoc, Carina L.	Officer	17,688
57	Yap, George C.	Officer	674
58	Yap, Manuel O.	Officer	674
59	Yong, Vivian L.	Officer	5,681
60	Yu, James Ericson	Officer	3,791
61	Yuchenkang, Marilyn	Officer	15,497

Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders, and related interests (DOSRI), which were made substantially on fair terms or at an arm's length basis, that is, terms not less favorable to the Bank than those offered to others. Full disclosures for these transactions were made through reports with the appropriate regulatory agency.

Related party transactions are discussed in Note 28 of the Audited Financial Statements.

The Bank retains SyCip Gorres Velayo & Co. / Ernst & Young as its external auditor and the following law firms for the handling of some of the cases filed for and against the Bank:

- ACCRA Law Office
- Angel Cruz Law Office
- Britanico Sarmiento & Ringler Law Offices
- Alcala Dumlao Alameda Tan Maningding & Alano Law Offices

PART IV - CORPORATE GOVERNANCE

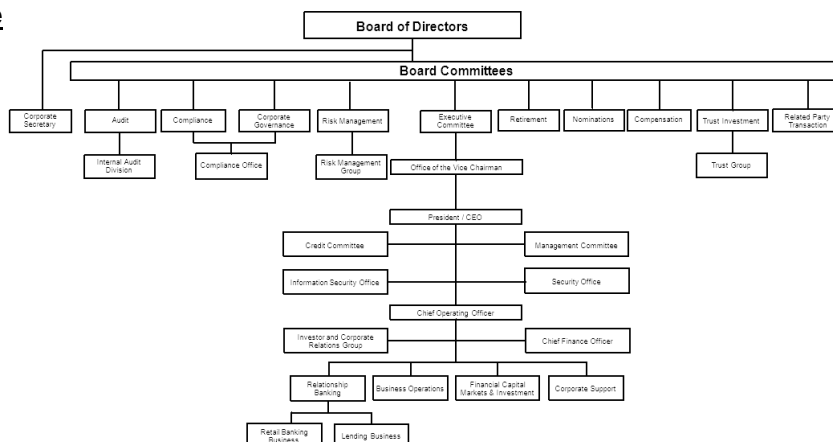
Item 13. Corporate Governance

The Bank strongly believes that through good corporate governance along with its commitment of being a reliable and truly dependable partner is it able to maintain a strong public trust in the banking industry and contribute in the development of the Philippine capital market. The Bank in pursuit of its vision to be the best, most admired and innovative financial services institution, through its partnership with the customers, employees and shareholders, is well guided by the basic principles of good corporate governance: fairness, accountability, transparency and integrity. These are all manifested through its performance by creating opportunities and more value to its customers, shareholders and other stakeholders. China Bank's directors, officers and staff understand that it is accountable to the shareholders and other stakeholders thus endeavor to be transparent in all of Bank dealings, maintain high respect for the right of the minority shareholders and to be well guided by code of ethics and integrity in the conduct of business.

In 2014, the Bank continued to practice the principles of good corporate governance through various reform activities like:

- Creation of the Related Party Transaction Committee (comprised entirely by Independent Directors)
- Revision of the Corporate Governance Manual to align with international best practices as well as with BSP and SEC rules and regulations
- Enhancement of the Corporate Governance section of the Bank's website
- Improvements in its annual report for prompt, complete and transparent disclosure on its business and operations
- Timely updating and posting on the Bank's website of its Annual Corporate Governance Report (ACGR), in compliance with the SEC rules
- Continuous Training for its Directors on corporate governance and Anti-Money Laundering Law.

Governance Structure



The Board of Directors of China Bank is primarily responsible for the governance of the Bank. It sets the tone and pace for the operations and future developments, ensuring long term shareholder value and profitability.

Board Committees

The Bank has created committees to assist the board in carrying out its responsibility of ensuring compliance with the principles and best practices of good corporate governance:

- **Executive Committee** - the Committee, when the Board of Directors is not in session, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Bank, except with respect to: (1) approval of any action for which stockholders' approval is also required; (2) filling of vacancies in the Board of Directors; (3) amendment or repeal of the By-laws or the adoption of new By-laws; (4) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by the Board of Directors and/or by laws or regulations.
- **Corporate Governance Committee** – the Committee is responsible for the review and evaluation of the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board of Directors. It is also responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and overseeing the periodic evaluation of the Board and its Committees and Executive Management.
- **Audit Committee** – the Committee provides oversight of the Bank's financial reporting and control, and internal audit functions. It monitors and evaluates the adequacy and effectiveness of the internal control system, as well as the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instance of non-compliance. It appoints, reviews and concurs in the appointment or replacement of the Chief Audit Executive, and is responsible in ensuring that the Chief Audit Executive and internal audit function are free from interference by outside parties, and there is an annual review of the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.
- **Nominations Committee** – the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board, as well as appointments requiring Board approval and promotions favorably endorsed by the Promotions Review Committee. It also assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. With regard to the nominees to the Board, the Committee is also tasked to identify the quality of the directors, such as but not limited to skills set, experience, and values that are aligned with the Bank's strategic directions.
- **Compensation or Remuneration Committee** – the Committee provides oversight over the remuneration of Senior Management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.
- **Risk Management Committee** – the Committee is responsible for the oversight and development of all the Bank's risk management functions, including but not limited to market risk, credit risk, and operational risk. It estimates the probability of each risk event and calculates the expected loss for each event. It likewise evaluates the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness, and reviews and approves the same as needed.

- **Compliance Committee** – the Committee assists the Board in monitoring compliance with established banking laws, rules and regulations, specifically in the mitigation of Business Risk. It is tasked to ensure that the Bank's compliance function has a formal status within the Bank as established by a charter duly approved by the Board, and ensure the appointment of a full-time Chief Compliance Officer, who shall be responsible to manage the compliance program. It is also responsible in seeing to it that the management is doing things in accordance with the prescribed rules, policies, procedures, guidelines and the like, and that appropriate corrective actions are being taken when necessary or required; reviewing the completeness of the processes in reporting and compliance to identified regulatory breaches; assessing and reviewing on a regular basis the Bank's Compliance Framework; and providing oversight over the implementation of the Bank's Compliance Program or Plan.
- **Related Party Transaction Committee** – the Committee is responsible in reviewing all related party transactions as defined in the existing policies of the Bank. The members of the committee include Alberto S. Yao as Chairman, Dy Tiong and Roberto F. Kuan as members.

EXECUTIVE COMMITTEE

Total No. of Meetings: 37*

Name of Director	Attendance	%
Hans T. Sy	34	92
Gilbert U. Dee	34	92
Peter S. Dee	31	84
Joaquin T. Dee	35	95
Ricardo R. Chua	35	95

*1 joint meeting with Risk Management Committee

CORPORATE GOVERNANCE COMMITTEE

Total No. of Meetings: 18*

Name of Director	Attendance	%
Roberto F. Kuan	14	78
Joaquin T. Dee	18	100
Hans T. Sy	18	100
Alberto S. Yao	17	94

*10 joint meetings with Audit and Compliance Committees

7 joint meetings with Nominations Committee

1 joint meeting with Compliance and Nominations Committees

AUDIT COMMITTEE

Total No. of Meetings: 12*

Name of Director	Attendance	%
Alberto S. Yao	12	100
Joaquin T. Dee	11	92
Dy Tiong	12	100

*10 joint meetings with Compliance and Corporate Governance Committees

2 joint meetings with Compliance Committee

NOMINATIONS COMMITTEE

Total No. of Meetings: 8*

Name of Director	Attendance	%
Dy Tiong	8	100
Hans T. Sy	8	100
Joaquin T. Dee	8	100
Alberto S. Yao	7	88
Roberto F. Kuan	7	88

*7 joint meetings with Corporate Governance Committee

1 joint meeting with Compliance and Corporate Governance Committees

COMPENSATION OR REMUNERATION COMMITTEE

Total No. of Meetings: 1

Name of Director	Attendance	%
Roberto F. Kuan	1	100
Hans T. Sy	1	100
Gilbert U. Dee	1	100
Dy Tiong	1	100
Alberto S. Yao	1	100

RISK MANAGEMENT COMMITTEE

Total No. of Meetings: 13*

Name of Director	Attendance	%
Joaquin T. Dee	13	100
Hans T. Sy	12	92
Gilbert U. Dee	12	92
Alberto S. Yao	13	100

*1 joint meeting with Executive Committee

COMPLIANCE COMMITTEE

Total No. of Meetings: 13*

Name of Director	Attendance	%
Hans T. Sy	12	92
Joaquin T. Dee	12	92
Alberto S. Yao	12	92

*10 joint meetings with Audit and Corporate Governance Committees

2 joint meetings with Audit Committee

1 joint meeting with Nominations and Corporate Governance Committees

Board of Directors

The Bank has eleven (11) directors and one (1) advisor. Two (2) of the directors are executive Directors and the rest are non-executive Directors. In accordance with the Bank's Manual on Corporate Governance, the members of the board are selected from a pool of qualified candidates after considering, among other things, their integrity, competence, independence, leadership, ability to exercise sound judgment, and experience at policy-making levels involving issues affecting business, government, as well as other areas relevant to the Bank's operations. Acknowledging the significant and crucial roles of Independent Directors, China Bank has three (3) Independent non-executive Directors in the Board to ensure a strong element of independence. The Bank's Independent Directors are independent of management and major/substantial shareholders, and free from any business, family or any other relationship with China Bank, which could affect their judgment. The members of the Board are given a copy of their general and specific duties and responsibilities as prescribed by the Manual of Regulations for Banks (MORB); the directors acknowledge that they have received and certify that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to the Bangko Sentral ng Pilipinas (BSP) within the prescribed period. Moreover, the Directors also individually submit a Sworn Certification that they possess all the qualifications as enumerated in the MORB. These certifications are submitted to BSP after their election. Additional certifications are executed by Independent Directors to comply with Securities Regulation Code and BSP rules which are then submitted to the SEC.

With respect to the Directors' shareholdings in the Bank for 2014, they have traded in company shares, as follows:

Director	Shareholdings as of January 1, 2014	Number of Shares Disposed	Number of Shares Acquired*	Shareholdings as of December 31, 2014
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Hans T. Sy	1,700,479	0	451,929	2,152,408
Gilbert U. Dee	7,596,545	0	1,536,439	9,132,984
Ricardo R. Chua	77,484	0	15,671	93,155
Peter S. Dee	929,060	0	187,907	1,116,967
Joaquin T. Dee	31,379,887	3,919,641	5,553,969	33,014,215
Dy Tiong	131,571	0	26,611	158,182
Herbert T. Sy	271,513	0	54,915	326,428
Harley T. Sy	61,886	0	12,517	74,403
Alberto S. Yao	4,719	0	955	5,674
Roberto F. Kuan	17,941	0	3,629	21,570
Jose T. Sio	1,870	0	378	2,248

*as a result of subscription to stock rights offering and issuance of 8% stock dividend

Board Meetings

All Directors have full and timely access to all relevant information about the Bank. The Directors are provided Board materials related to the agenda five (5) days in advance of meetings, by the Corporate Secretary to allow them to prepare for discussion of the items during the meeting.

The China Bank Board meets every first Wednesday of each month. Special meetings are held when necessary. It is the Board's policy to encourage each director's attendance at all scheduled Board meetings and all meetings of the Bank's stockholders. In 2014, the Board had 15 meetings, including the organizational meeting:

Director	Attendance
Hans T. Sy	14
Gilbert U. Dee	14
Ricardo R. Chua	12
Peter S. Dee	14
Joaquin T. Dee	15
Dy Tiong	15
Herbert T. Sy	13
Harley T. Sy	14
Alberto S. Yao	14
Roberto F. Kuan	15
Jose T. Sio	12

Corporate Secretary

The Board has access to the Corporate Secretary, Atty. Corazon I. Morando, who plays a significant role in supporting the Board discharge their duties and responsibilities; she is also responsible for ensuring that the Board procedures and related rules and regulations are followed. She possesses the appropriate administrative and interpersonal skills to carry out her duties.

The duties and responsibilities of the Bank's Corporate Secretary are enumerated in the Bank's By-Laws and Corporate Governance Manual. Among other things, she is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as of the seal and corporate books. She also has the responsibility of assisting the Chairman in the preparation of the Board agenda, as well as keeping the directors updated on relevant statutory and regulatory changes.

Board Training

All the members of the Board have attended the required Corporate Governance Seminar. As part of their continuing education program, all directors have attended the Corporate Governance Seminar conducted by the Institute of Corporate Directors last January 8, 2014. Any new member of the Board is required to attend an orientation program from accredited training providers of the BSP and SEC.

Board Access to Information

The Directors have full and timely access to all relevant information about the Bank so that they can effectively discharge their duties and responsibilities. China Bank highly recognizes the right of stockholders to information.

The Board is committed to protect this right by ensuring that at all times, all material information about the Bank are disclosed in a timely manner to the SEC and PSE, particularly information that could affect share price.

Board and Committee Performance Evaluation

In place is an evaluation system for the Board. Our Board of Directors conducts an annual evaluation of its collective performance through a self-assessment. There are also self-assessments for the individual directors, and various Board Committees, such as Audit, Compensation or Remuneration, Corporate Governance, Risk Management and Compliance Committees and for Compliance Office as well. The results are summarized by the Chief Compliance Officer, discussed by the Corporate Governance Committee, and reported to the Board. Based on the 2014 results, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.

CEO & President Evaluation

The performance of the President & CEO is also evaluated through a self-assessment where the results are discussed and reported to the Board.

Corporate Governance Office

China Bank has a Corporate Governance Office that is under the Compliance Office Division, headed by the Chief Compliance Officer (CCO) Atty. Marissa B. Espino. The Bank's CCO ensures and monitors that the provisions in the Corporate Governance Manual and Compliance Manual are complied with. Any violation thereof is reported to the Chairman of the Board through the Corporate Governance Committee with appropriate enforcement action as approved by the Board. The CCO also identifies, monitors and controls business risk.

Governance Policies

- **Corporate Governance Manual**

The Bank's Corporate Governance Manual is updated annually or as the need arises, to align with latest regulatory issuances. To enjoin bankwide compliance and for easy access, a copy of the Manual is available in the Bank's intranet under the Compliance Office Public Folder. The CCO is primarily tasked to monitor compliance with the Manual. The CCO is always available to respond to inquiries from Bank officials and personnel as regards good corporate governance policies and practices.

In 2014, the Bank has fully complied with the provisions of the Corporate Governance Manual.

- **Board Compensation Policy**

China Bank Directors shall receive a *per diem* of five hundred pesos (P500.00) for attendance at each meeting of the Board of Directors or of any committee, or as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting. In accordance with Article VIII of the Bank's By-Laws, a portion of the net earnings shall be given to the members of the Board of Directors.

- **Dividend Policy**

In accordance with the Bank's by-laws, dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with laws and applicable regulations. The payment of dividend in the future will depend on the Bank's earnings, cash flow, financial condition and other factors. Dividends may be declared only from unrestricted retained earnings.

- **Education and Trainings**

On a regular basis, the Compliance Office conducts briefings to Compliance Coordinators in branches and head office which aim to raise the level of awareness and understanding of the principles, concepts, and elements of good corporate governance and compliance. The Compliance Coordinators are required to cascade their learning

to their respective areas. All new employees of the Bank undergo a Basic orientation on Compliance System, Anti-Money Laundering (AML), Whistleblowing and Corporate Governance wherein the compliance concept is introduced to them. The Compliance Office has ongoing seminars on the Base60 Automated Anti-Money Laundering System and the basics of the Anti-Money Laundering Act (AMLA) and current trends to ensure that our people have sufficient knowledge of AML law and regulations; and that they are able to identify and be aware of the risks and opportunities for money laundering and the financing of terrorism, including the prevailing techniques, methods and trends; comply with the Know-Your-Customer policy and take adequate Customer Due Diligence measures and identify suspicious transactions of money laundering, in compliance with AMLA Regulations. A total of 53 AMLA seminars were conducted in 2014.

To further strengthen the compliance culture within the Bank, Compliance Office has also conducted lectures in the Officers Development Program (ODP) and Integrated Supervisory Development Program (ISDP) of the Bank.

- **Whistleblowing**

We have a whistle-blowing policy wherein employees, customers, shareholders, and third party service providers are encouraged to report questionable or illegal activity, unethical behavior, fraud or any other malpractice by mail, phone or e-mail, without fear of reprisal or retaliation because the identity of the whistleblower is kept confidential. Disclosures are directed to the attention of the CCO, or her duly designated compliance officer who is responsible to determine the sufficiency and validity of the report. If determined to be sufficient in form and substance, the disclosure shall be referred to the Audit Division and/or Human Resources Division (HRD) for further investigation. If the report is found to be baseless, the Whistleblower shall be informed of its status within 24 hours from receipt thereof. Meritorious disclosure, as may be determined, should be given recognition and may be entitled to an award as deemed necessary by the HRD or the Investigation Committee.

- **Code of Ethics and Policy on Conflict of Interest**

In carrying out its functions and in dealing with its clients, the Bank is guided by its Core Values, namely: Integrity, High Performance Standards, Commitment to Quality, Customer Service Focus, Concern for People, Efficiency and Resourcefulness / Initiative. These core values also are the foundation of our existing Code of Ethics. To ensure that business is carried out in compliance with relevant laws and in the protection of the interest of our customers, shareholders and other stakeholders, our HRD has disseminated our Code of Ethics to all employees, especially to the new hires. Employees are required to sign the acknowledgement receipt that they have a copy of the Code. Scanned copy of it is available in our Intranet for easy access of all employees. To further enhance awareness, HRD ensures that all new employees undergo a New Employees' Orientation Course (NEOC) where comprehensive discussion is made on the contents of the Code, namely, the standard behavior, business conduct, and corresponding sanctions for violations. Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to the personal interest of directors and officers. The directors and officers should not obtain personal gain or profit by reason of their position in the Bank.

For a more detailed discussion on the Bank's corporate governance practices, please refer to the Annual Corporate Governance Report of the Bank attached herewith as Annex B, in accordance with the Securities and Exchange Commission (SEC) Advisory dated 12 March 2015.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

(a) Exhibits

Subsidiaries and Investments

- CBC Properties and Computer Center, Inc.* – incorporated on April 14, 1982 to render general services of computer and other computer-related products and services solely to the Bank. It is 100% owned by the Bank, with one (1) share each assigned to Director Peter S. Dee, and to the following officers of the Bank: Messrs. Gilbert U. Dee, Ricardo R. Chua, William C. Whang, and Ramon R. Zamora.

Board of Directors/Officers

Gilbert U. Dee	- Chairman of the Board
Peter S. Dee	- Director/President
Ricardo R. Chua	- Director
William C. Whang	- Director/Treasurer
Ramon R. Zamora	- Director
Phillip M. Tan	- Vice President and General Manager
Editha N. Young	- Vice President and Chief Technology Officer
Augusto P. Samonte	- Vice President
Leilani B. Elarmo	- Corporate Secretary
No. of Employees	- 112

- ii. *CBC Forex Corporation* – incorporated on February 18, 1997, with the primary purpose of engaging in the business of dealing and brokering in all currencies, entering into spot and forward foreign exchange contracts with local or foreign individuals and other entities, acting as brokers for the purpose of bringing together sellers and buyers of foreign exchange. It is 100% owned by the Bank. On May 7, 2009, the Board of Directors and stockholders of the Bank approved, confirmed and ratified the amendment of the Articles of Incorporation of the company to shorten its corporate term to until December 31, 2009, in accordance with Section 120 of The Corporation Code. The corporation is addressing the remaining documents required by the Securities and Exchange Commission (SEC).

Board of Directors/Officers

Peter S. Dee	- Chairman of the Board
Ricardo R. Chua	- Director
Ramon R. Zamora	- Director
Antonio S. Espedido, Jr.	- Director
Belenette C. Tan	- Corporate Secretary
No. of Employees	- 0

- iii. *China Bank Insurance Brokers, Inc.* – incorporated on November 3, 1998, with the primary purpose to act as a broker in soliciting, procuring, negotiating, receiving, managing and forwarding applications for fire, casualty, plate glass, automobiles, trucks and other motor vehicles accident, health, burglary, rent, marine, credit, disability, life insurance, and all other kinds of insurance, including reinsurance contracts, or in any other manner aiding in taking out insurance, collecting payments of premiums due on such policies, and doing such other business as may be delegated to brokers or such companies in the conduct of a general insurance brokerage business. It is 100% owned by the Bank, with one (1) share each assigned to Director Peter S. Dee, Ms. Julieta P. Guanlao (Director-President), and to Bank officers, Messrs. Ricardo R. Chua, William C. Whang, and Ms. Nancy D. Yang.

Board of Directors/Officers

Peter S. Dee	- Chairman of the Board
Ricardo R. Chua	- Director
William C. Whang	- Director /Treasurer
Nancy D. Yang	- Director
Julieta P. Guanlao	- Director/President
Belenette C. Tan	- Corporate Secretary
No. of Employees	- 50

- iv. *Manulife China Bank Life Assurance Corporation* (MCBLife) – the Board approved on August 2, 2006 the joint project proposal of the Bank with The Manufacturers Life Insurance Company (Manulife). In September 2007, BSP approved the Bank's request to invest in a life insurance company owned by Manulife for the purpose of offering innovative insurance and financial products for health, wealth and education through the Bank's branches nationwide. The life insurance company was incorporated as The Pramerica Life Insurance Company, Inc. in 1998 but the name was changed to Manulife China Bank Life Assurance Corporation (MCBLife) on March 23, 2007. Initially having 5% interest in MCBLife, China Bank Board authorized on July 2, 2014, the increase in the Bank's capital stake and contributed surplus from 5% to 40%. The Bangko Sentral

ng Pilipinas (BSP) approved such increase on September 12, 2014, subject to compliance with additional requirements.

Board of Directors/Officers

Mark Steven O'Dell	- Chairman
Robert D. Wyld	- Director/President & CEO
Ryan Charland	- Director
Ricardo R. Chua	- Director
Janette L. Peña	- Independent Director
Rhoda Regina R. Rara	- Independent Director
Michael Fang	- Director
Peter Mckeown	- CFO/Treasurer
Amor Datinguinoo	- Chief Compliance Officer
Paul Mandal	- Corporate Secretary
Eir Antig	- Assistant Corporate Secretary
No. of Employees	- 274

- v. *China Bank Savings, Inc. (CBSI)* – formerly known as The Manila Banking Corporation (TMBC), it was incorporated on May 23, 1960 and was formed to carry on, engage in the business of, and exercise the general powers of savings bank as provided by law. In 2008, in pursuance of the Bank's acquisition of TMBC, the BSP and SEC approved the change of name to CBSI. China Bank now owns 98.00% of the total outstanding capital stock of CBSI. Some of the directors/officers of China Bank sit as concurrent directors and/or officers of CBSI.

The Monetary Board and SEC gave their approvals on November 21, 2013 and January 20, 2014, respectively, to the merger of Unity Bank, A Rural Bank, Inc. (Unity Bank), a Pampanga-based rural bank, and CBSI, with CBSI as the surviving bank.

On August 14, 2014, the stockholders owning at least 2/3 of the outstanding capital stock of CBSI approved the Plan of Merger of Plantersbank and CBSI, with the latter as the surviving bank. Simultaneously, the stockholders of CBSI approved the P5.0 Billion increase of the authorized capital stock of CBSI. The requests for the merger and increase of the authorized capital stock are now awaiting actions by the BSP and SEC.

Board of Directors/Officers

Ricardo R. Chua	- Chairman of the Board
Nancy D. Yang	- Vice Chairman
Ramon R. Zamora	- Director
Antonio S. Espedido, Jr.	- Director
Alberto Emilio V. Ramos	- Director/President
Rene J. Sarmiento	- Director
Alexander C. Escucha	- Director
Rosemarie C. Gan	- Director
Margarita L. San Juan	- Independent Director
Roberto F. Kuan	- Independent Director
Alberto S. Yao	- Independent Director
Edgar D. Dumlaog	- Corporate Secretary
No. of Employees	- 821

- vi. *Planters Development Bank (Plantersbank)* – commenced its operations in 1961 under its former name, Bulacan Development Bank, and was formed to carry on and engage in the development banking business. On December 13, 2013, the Monetary Board approved-in-principle the merger between Plantersbank with either China Bank or CBSI within three (3) years from date of the approval, the first stage of which being the acquisition by the Bank of the subscribed capital stock of Plantersbank, subject to certain requirements, including the execution of relevant documents and approval of regulatory offices. Pursuant to a Share Purchase Agreement entered into by the Bank with Plantersbank stockholders owning 84.77% of the subscribed capital stock, on January 15, 2014, the Bank successfully closed with the majority of Plantersbank's shareholders and effectively gained control over Plantersbank. Thereafter, the Bank entered

into another Share Purchase Agreement involving some shares beneficially owned by Capital Shares & Investment Corporation, one of the majority selling shareholder. After the completion of the acquisition of the original 84.77% of the subscribed capital stock, the Bank proceeded with the voluntary tender offer last June 2014 for the remaining shares held by minority shareholders. In November 2014, China Bank Board further approved and authorized the negotiated sale transactions on the remaining shares after the tender offer. China Bank now owns 99.85% of the outstanding subscribed capital stock of Plantersbank. Some of the directors/officers of the Bank were appointed as concurrent directors and/or officers of Plantersbank.

On August 14, 2014, the stockholders owning at least 2/3 of the outstanding capital stock of Plantersbank approved the Plan of Merger of Plantersbank and CBSI, with the latter as the surviving bank. The request for the merger is now awaiting action by the BSP and SEC.

Board of Directors/Officers

Amb. Jesus P. Tambunting	- Chairman*
Ricardo R. Chua	- Vice Chairman of the Board
Carlos M. Borromeo	- Director/President
Nancy D. Yang	- Director
Alberto Emilio V. Ramos	- Director
Alexander C. Escucha	- Director
Antonio S. Espedido, Jr.	- Director
Ramon R. Zamora	- Director
Roberto F. Kuan	- Independent Director
Alberto S. Yao	- Independent Director
Margarita L. San Juan	- Independent Director
Edgar D. Dumlao	- Corporate Secretary
Rosana B. Amoranto	- Treasurer*
Maribel M. Dimayuga	- Chief Compliance Officer
No. of Employees	- 1,190

*In view of the resignation of Amb. Tambunting effective February 13, 2015, and of Ms. Amoranto effective January 6, 2015, the positions of Chairman and Treasurer are currently vacant.

(b) Reports on SEC Form 17-C

The following reports have been submitted by the Bank during the year 2014 through official disclosure letters:

R E P O R T	DATE REPORTED
In relation to the Monetary Board's approval-in-principle of the merger between Planters Development Bank (Plantersbank) with either China Bank or China Bank Savings, Inc. (CBSI), Board of Directors' approval/authorization for the: (a) compliance with the requirements of the Monetary Board for the approval of the Share Purchase Agreement relating to the acquisition of 84.77% of the subscribed capital stock of Plantersbank, and (b) upon Monetary Board approval and execution of the Share Purchase Agreement, proceed with further acquisition via voluntary tender offer for the remaining 15.23% at substantially the same terms and conditions as indicated in the Share Purchase Agreement.	January 09, 2014
Board of Directors' notation/approval of the reorganization of the Management Committee to include Mr. Virgilio O. Chua, First Vice President II and Head, Investment Banking Group, as one of its members.	January 09, 2014
Board of Directors' notation/approval of the: (a) retirement /expiration of the contract of Mr. Samuel L. Chiong, Senior Vice President and Deputy Group Head of Branch Banking Group, on January 31, 2014; and (b) appointment of Ms. Rosemarie C. Gan, First Vice President II, to take over the functions of Mr. Chiong as Deputy Head of Branch Banking Group effective February 01, 2014, concurrent with her function as Binondo Business Center Head.	January 09, 2014
Submission of copies of the Certificate of Attendance of the directors and officers of the Bank given by the Institute of Corporate Directors for their completion of the Exclusive Corporate Governance workshop held on January 8, 2014.	January 17, 2014
Advisement letter on the attendance of directors in Board meetings for the Year 2013.	January 21, 2014
Board of Directors' approval of the: (a) concurrent/interlocking appointment in Planters Development Bank (Plantersbank) effective February 5, 2014 of China Bank Officers: Maria Rosanna Catherina L. Testa, Maria Luz B. Favis, and CBC-PCCI Vice President and Chief Technology Officer Ms. Editha N. Young; and (b) secondment of Atty. Marissa B. Espino of Plantersbank to China Bank as Chief Compliance Officer, effective immediately.	February 06, 2014
Board of Directors' approval to acquire via negotiated sale the additional 1,961,640 Plantersbank shares beneficially-owned by Capital Shares & Investment Corporation, but still under the name of Asian Development Bank; and acquisition via voluntary tender offer of the remaining 13.59% shares of Plantersbank.	February 06, 2014
Board of Directors' approval of the Rules Governing the Nomination and Election of Directors and setting March 7, 2014 as the deadline for nomination.	February 06, 2014

R E P O R T	DATE REPORTED
Executive Committee's approval of the appointment and promotions effective February 13, 2014 of: (a) Mr. William C. Whang to Executive Vice President & Head of the Lending Business Segment, and concurrent Head of Institutional Banking Group; (b) Mr. Antonio S. Espedido, Jr. to Executive Vice President and Head of the Financial Capital Markets and Investment Segment, and concurrent Head of Treasury Group; and (c) Ms. Rosemarie C. Gan to Senior Vice President & Deputy Head of Retail Banking Business, and concurrent Head of Binondo Business Center.	February 13, 2014
Executive Committee's approval of the interlocking positions of Mr. William C. Whang in subsidiaries China Bank Insurance Brokers, Inc. effective February 03, 2014 and CBC Properties and Computer Center, Inc. effective February 05, 2014.	February 13, 2014
Executive Committee's approval of the interlocking appointments to CBSI of Ms. Rosemarie C. Gan as Director and Executive Committee Member, and Mr. Antonio S. Espedido, Jr., as Trust Committee Chairman, effective February 19, 2014.	February 20, 2014
Board of Directors' approval of the setting of (a) March 26, 2014 as the record date for the determination of stockholders entitled to notice of and vote at the Annual Stockholders' Meeting to be held on May 8, 2014, and (b) closing of the Bank's transfer books from April 21, 2014 to May 8, 2014.	March 06, 2014
Board of Directors' approval, confirmation and ratification of the Bank's capital infusion to CBSI, of up to P800 Million in tranches to support CBSI's planned business growth and expansion, and enable it to meet the minimum capital requirement under Basel III.	March 06, 2014
Board of Directors' authorization to conduct a Rights Issue by way of offering common shares to certain eligible shareholders of the Bank; appointment of Citigroup and J.P. Morgan as Joint Global Coordinators, Joint Lead Managers and Underwriters; and naming of authorized officers of the Bank for the issue.	March 06, 2014
Submission of the Certificate of Attendance of Director Jose T. Sio, issued by the Institute of Corporate Directors for his completion of the Exclusive Corporate Governance workshop on February 24, 2014.	April 02, 2014
Board of Directors' approval on the amendments of Articles Ninth, Sixth (a) and Sixth (b) of the Bank's Articles of Incorporation and Articles I and XI of the By-Laws, subject to the approval and/or ratification by the stockholders and evaluation/approval by the regulatory offices.	April 03, 2014
Board of Directors' approval of the (a) declaration of 10% cash dividend equivalent to P1.00 per share; (b) increase in the Bank's authorized capital stock from P20.0 Billion to P25.0 Billion with par value of P10.00 per share; and (c) declaration of 8% stock dividend to cover the required minimum subscription and payment on the increase.	May 09, 2014

R E P O R T	DATE REPORTED
Report on the election of the Board of Directors, and approval/confirmation/ ratification of amendments of the Bank's Articles of Incorporation and By-Laws, dividend declaration, matters approved during the fiscal year 2013 and immediately preceding the stockholders' meeting, and the result of the organizational meeting of the Board.	May 09, 2014
Sworn certifications of Messrs. Dy Tiong, Roberto F. Kuan and Alberto S. Yao, that they possess all the qualifications and none of the disqualifications as independent directors.	May 14, 2014
Board of Directors' notation of the Bangko Sentral ng Pilipinas approval of the acquisition of Plantersbank; approval of the timeline for the tender offer; and approval of the concurrent/interlocking assignment of Mr. Baldwin A. Aguilar in Plantersbank as Head of General Services Department effective May 26, 2014.	June 05, 2014
Board of Directors' approval to increase the Bank's capital stake and contributed surplus in Manulife China Bank Life Assurance Corporation (MCBL) from 5% to 40%; and approval of authority to acquire 246 shares of CBSI (formerly The Manila Bank Corporation) by negotiated transaction.	July 03, 2014
Information regarding the approval by the Bangko Sentral ng Pilipinas per its letter dated July 3, 2014, of the 10% cash dividend and 8% stock dividend declarations.	July 04, 2014
Executive Committee's approval of the interlocking appointment of Mr. Hanz Irvin S. Yoro, Assistant Vice President, Information Security Office, to CBSI and Plantersbank as Information Security Officer effective August 1, 2014.	July 24, 2014
Executive Committee's approval to recall the secondment assignment in CBSI of Ms. Jacqueline T. Tomacruz, to be assigned back to Customer Experience Management Division of China Bank effective August 1, 2014.	July 31, 2014
Advisement regarding the retirement effective August 31, 2014 of Mr. Peter S. Dee as President and Chief Executive Officer of the Bank, with information that he shall remain as Director of the Bank.	August 07, 2014
Board of Directors' approval of the secondment of Ms. Maria Cristina C. Hernandez, Vice President of Plantersbank, to China Bank as Department Head of Financial Institution Department under Treasury Group effective August 18, 2014; and confirmation of the interlocking appointment of Mr. Hanz Irvin S. Yoro to CBSI and Plantersbank as Information Security Officer effective August 1, 2014, and recall of the secondment assignment in CBSI of Ms. Jacqueline T. Tomacruz, effective August 1, 2014	August 07, 2014
Board of Directors' approval of the election/appointment of Mr. Ricardo R. Chua as President and Chief Executive Officer of the Bank effective September 1, 2014.	August 15, 2014

R E P O R T	DATE REPORTED
Information regarding the issuance by the Securities and Exchange Commission on August 29, 2014 of the (a) Certificate of Approval of Increase of Capital Stock from P20.0 Billion to P25.0 Billion; (b) Certificate of Filing of Amended Articles of Incorporation, amending Articles VI and IX thereof; and (c) Certificate of Filing of Amended By-Laws	September 02, 2014
Board of Directors' approvals of the: (a) reorganization of the Trust Investment Committee; and (b) additional capital infusion to CBSI of at least P312.5 Million.	September 04, 2014
Board of Directors' approval to set and/or recommend September 19, 2014 as the record date, and October 15, 2014 as the payment/issuance date of the dividends, and to have the Bank's transfer books closed from September 22, 2014 to October 6, 2014 for the purpose.	September 04, 2014
Board of Directors' notation of the Bangko Sentral ng Pilipinas approval of the Bank's request to raise its capital investment in MCBL from 5% to 40% of its authorized capital; and approval of the additional capital infusion to CBSI of P1,587.50 Million to be used for the pretermination of Plantersbank Tier 2 Notes.	October 02, 2014
Executive Committee's approval of the appointment of Mr. Hanz Irvin S. Yoro, as Head of the Information Security Office effective November 1, 2014.	October 30, 2014
Board of Directors' approval of the (a) nomination of Mr. Alberto Emilio V. Ramos to the additional seat of China Bank in the Board of Directors of MCBL; (b) interlocking appointment of Mr. Carlos M. Borromeo, President of Plantersbank, to China Bank as Chief Financial Officer and Head of Financial Management Segment effective November 17, 2014; and (c) approval and authorization for the negotiated sale transaction/s on the remaining shares of Plantersbank.	November 06, 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on this _____ day of April 2015.

APR 10 2015


RICARDO R. CHUA
Principal Executive Officer*


ANTONIO S. ESPEDIDO, JR.
Principal Financial Officer


DELIA MARQUEZ
Controller


CORAZON I. MORANDO
Corporate Secretary


DOROTHY T. MACEDA
Principal Accounting Officer

APR 10 2015

SUBSCRIBED AND SWORN to before me this _____, affiants exhibiting to me their proofs of identification, as follows:

NAME	PROOF OF IDENTIFICATION
Ricardo R. Chua	SSS No. 03-2416389-8
Antonio S. Espedido, Jr.	SSS No. 03-5696688-5
Delia Marquez	SSS No. 03-7205726-0
Corazon I. Morando	Non-Professional Driver's License No. N07-65-007107, valid up to May 09, 2015
Dorothy T. Maceda	SSS No. 03-6577416-5

Doc No. 36;
Page No. 9;
Book No. ac;
Series of 2015.

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt No. M-236 until 31 December 2015
4/F Philcom Building,
8755 Paseo de Roxas, Makati City,
P.R. No. 875574, 8105 A, Makati City
IBP No. 83-337, 12-12-12, Makati City
Roll of Attorney's No. 37110

*With the election/appointment of Mr. Ricardo R. Chua as President and Chief Executive Officer of the Bank effective September 1, 2014, the position of Chief Operating Officer which he previously occupied is currently vacant. As President and Chief Executive Officer, Mr. Chua has direct charge of the business and general supervision of the business affairs and property of the Bank.

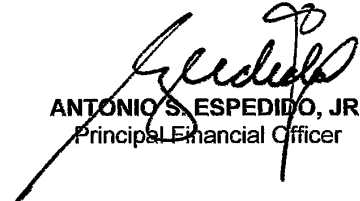
Republic of the Philippines)
City of Makatis.s.

CERTIFICATION

We hereby certify that the enclosed CD copy of the Audited Financial Statements (AFS) of China Banking Corporation contains the same basic or material data in the hard copies of the AFS submitted herewith.

IN WITNESS WHEREOF, we have hereunto set our hands this APR 10 2015 in the City of Makati.


DELIA MARQUEZ
Controller


ANTONIO S. ESPEDIDO, JR.
Principal Financial Officer

APR 10 2015

SUBSCRIBED AND SWORN to before me this _____, affiants exhibiting to me their proof of identification, as follows:

NAMES	Proof of Identification
Delia Marquez	SSS No. 03-7205726-0
Antonio S. Espedido, Jr.	SSS No. 03-5696688-5

Doc No. 37 :
Page No. 9 :
Book No. 90 :
Series of 2015.


~~BELENETTE Y. CHING-TAN~~
Notary Public for Makati City
Appt No. M-236 until 31 December 2015
4/F Philmont Building,
8755 Ruston de los Angeles, Makati City
PTR No. 4740590, 01-05-15 ; Makati City
IBP No. 940382 ; 12-12-13 ; Makati City
Roll of Attorney's No. 37110

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

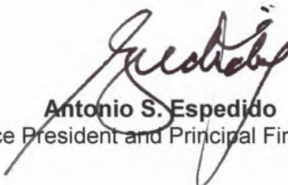
The Management of China Banking Corporation (the Bank) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.


The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


Hans T. Sy
Chairman of the Board


Ricardo R. Chua
President & CEO


Antonio S. Espedido
Executive Vice President and Principal Financial Officer


Delia Marquez
Vice President - Controller

Republic of the Philippines
Makati City S.S

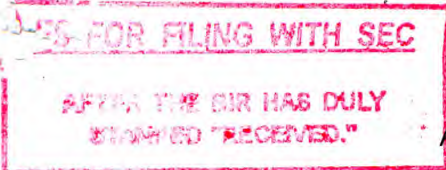
MAR 06 2015

Signed this day of 2015, affiants exhibiting to me their Social Security System Nos. as follows:

Name	SSS Nos.
Hans T. Sy	03-4301174-3
Ricardo R. Chua	03-2416389-8
Antonio S. Espedido, Jr.	03-5696688-5
Delia Marquez	03-7205726-0

BELENETTE Y. CHING-TAN
Notary Public for Makati City
Appt No. Notary Public
Until December 31, 2014
PTR No.
Place
6755 P.T. Makati City
IDP Makati City
Notary Public 03-27110

Doc. No.: 339
Page No.: 70
Book No.: 85
Series of: 2015



COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	3																	
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Company Name

C	H	I	N	A		B	A	N	K	I	N	G		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																		

Principal Office (No./Street/Barangay/City/Town/Province)

8	7	4	5		P	a	s	e	o		d	e		R	o	x	a	s		c	o	r	.		V	i	l	l	a
					r		S	t	.	,		M	a	k	a	t	i		C	i	t	y							

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number/s

885-5555

Mobile Number

--

No. of Stockholders

1,980

Annual Meeting
Month/Day

--

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Delia Marquez

Email Address

DMARQUEZ@chinabank.p

Telephone Number/s

885-5555

Mobile Number

--

Contact Person's Address

8745 Paseo De Roxas corner Villar Street, Makati City, 1226
--

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



China Banking Corporation and Subsidiaries

Financial Statements

December 31, 2014 and 2013

and for the years ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report



SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
China Banking Corporation
8745 Paseo de Roxas cor. Villar St.
Makati City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of China Banking Corporation and Subsidiaries (the Group) and the parent company financial statements of China Banking Corporation (the Parent Company), which comprise the consolidated and parent company balance sheets as at December 31, 2014 and 2013, and the consolidated and parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

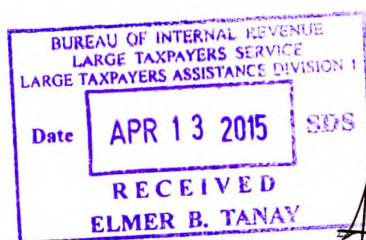
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Banking Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

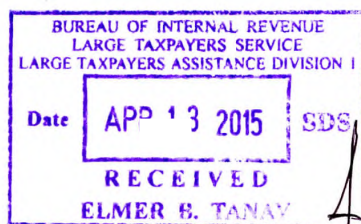
Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751290, January 5, 2015, Makati City

March 4, 2015

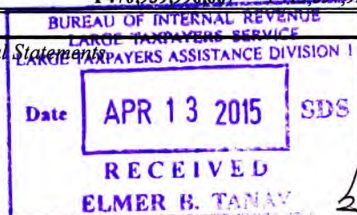


CHINA BANKING CORPORATION AND SUBSIDIARIES

BALANCE SHEETS

	Consolidated		Parent Company	
	December 31			
	2014	2013	2014	2013
ASSETS				
Cash and Other Cash Items	₱10,734,059,421	₱7,281,640,616	₱9,295,129,845	₱7,035,251,105
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	67,451,647,883	78,968,132,522	60,543,866,682	75,678,312,048
Due from Other Banks (Note 7)	17,552,823,222	23,885,538,128	15,836,701,053	23,215,575,357
Interbank Loans Receivables	223,600,000	—	223,600,000	—
Financial Assets at Fair Value through Profit or Loss (Note 8)	8,440,698,688	10,421,423,053	8,012,435,288	10,421,423,053
Available-for-Sale Financial Assets (Note 8)	38,476,852,312	44,349,256,775	37,075,237,960	43,196,190,593
Held-to-Maturity Financial Assets (Note 8)	12,109,343,604	12,150,546,829	11,353,787,827	12,122,589,213
Loans and Receivables (Notes 9 and 28)	290,418,729,517	220,540,902,915	245,257,220,870	210,762,269,411
Accrued Interest Receivable (Note 15)	2,236,980,535	1,899,408,789	1,910,677,425	1,801,594,853
Investment in Subsidiaries (Note 10)	—	—	6,016,949,825	1,927,749,787
Investment in Associates (Note 10)	534,881,164	21,245,838	166,273,454	21,245,838
Bank Premises, Furniture, Fixtures and Equipment (Note 11)	6,250,652,990	5,279,940,404	4,748,198,638	4,725,647,705
Investment Properties (Note 12)	5,766,821,914	2,410,529,492	1,901,362,829	2,078,092,008
Deferred Tax Assets (Note 26)	848,686,105	627,795,898	842,366,600	763,461,954
Branch Licenses (Notes 10 and 13)	2,427,100,000	837,600,000	455,000,000	455,000,000
Goodwill (Notes 10 and 13)	1,491,639,289	222,841,201	222,841,201	222,841,201
Other Assets (Note 14)	5,975,480,023	4,801,120,536	3,639,729,318	4,398,466,854
	₱470,939,996,667	₱413,697,922,996	₱407,501,378,815	₱398,825,710,980
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities (Notes 16 and 28)				
Demand	₱97,703,743,693	₱76,735,905,420	₱88,942,590,615	₱75,632,975,179
Savings	95,526,360,293	78,988,121,055	86,798,097,735	68,895,602,645
Time	206,071,440,072	198,544,176,205	165,343,945,862	195,303,275,663
	399,301,544,058	354,268,202,680	341,084,634,212	339,831,853,487
Bills Payable (Note 17)	6,320,579,549	8,299,194,525	5,177,600,839	8,299,194,525
Manager's Checks	1,221,394,875	859,892,248	822,179,038	704,488,259
Income Tax Payable	10,943,813	6,768,350	1,396,937	—
Accrued Interest and Other Expenses (Note 18)	1,630,748,489	1,501,925,478	1,312,475,404	1,445,621,346
Derivative Liabilities (Note 24)	101,609,941	154,808,366	101,609,941	154,808,366
Deferred Tax Liabilities (Note 26)	962,555,706	—	—	—
Subordinated Debt (Note 17)	1,188,761,984	—	—	—
Other Liabilities (Note 19)	3,635,809,137	3,207,431,910	2,182,918,508	2,816,377,585
	414,373,947,552	368,298,223,557	350,682,814,879	353,252,343,568
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 22)	17,164,143,170	14,276,616,580	17,164,143,170	14,276,616,580
Capital paid in excess of par value (Note 22)	6,987,564,304	671,504,726	6,987,564,304	671,504,726
Surplus reserves (Notes 22 and 27)	800,005,924	775,068,774	800,005,924	775,068,774
Surplus (Notes 22 and 27)	31,310,602,555	29,079,842,263	31,489,977,481	29,261,041,727
Net unrealized gains (losses) on available-for-sale financial assets (Note 8)	122,920,333	(79,257,616)	114,499,317	(73,855,091)
Remeasurement gain on defined benefit asset or liability (Note 23)	199,151,231	604,715,114	283,740,633	596,643,032
Cumulative translation adjustment	(20,391,728)	66,347,664	(21,366,893)	66,347,664
	56,563,995,789	45,394,837,505	56,818,563,936	45,573,367,412
Non-controlling Interest	2,053,326	4,861,934	—	—
	56,566,049,115	45,399,699,439	56,818,563,936	45,573,367,412
	₱470,939,996,667	₱413,697,922,996	₱407,501,378,815	₱398,825,710,980

See accompanying Notes to Financial Statements



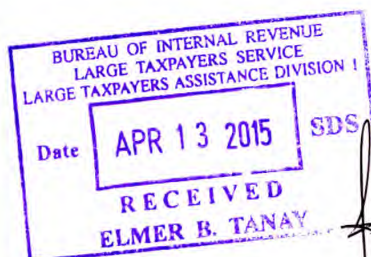
CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
INTEREST INCOME						
Loans and receivables (Notes 9 and 28)	₱14,674,211,129	₱10,372,075,442	₱9,522,024,446	₱11,295,416,007	₱9,729,506,391	₱9,245,295,416
Trading and investments (Note 8)	3,021,786,168	3,227,341,138	3,373,834,036	2,872,123,892	3,158,295,958	3,297,564,886
Due from Bangko Sentral ng Pilipinas and other banks (Note 7)	701,141,844	481,736,900	255,011,199	465,089,374	408,149,958	188,552,690
	18,397,139,141	14,081,153,480	13,150,869,681	14,632,629,273	13,295,952,307	12,731,412,992
INTEREST EXPENSE						
Deposit liabilities (Notes 16 and 28)	4,016,718,063	4,047,245,174	4,963,125,873	2,904,698,563	3,737,550,341	4,730,727,574
Bills payable and other borrowings (Note 17)	291,674,420	97,917,679	125,402,976	141,825,008	97,917,679	125,402,976
	4,308,392,483	4,145,162,853	5,088,528,849	3,046,523,571	3,835,468,020	4,856,130,550
NET INTEREST INCOME	14,088,746,658	9,935,990,627	8,062,340,832	11,586,105,702	9,460,484,287	7,875,282,442
Service charges, fees and commissions (Note 20)	1,561,807,355	1,156,459,862	1,046,352,293	1,220,648,836	1,004,074,075	949,167,096
Trading and securities gain - net (Notes 8 and 20)	535,262,784	1,904,885,163	2,916,299,207	458,895,756	1,614,807,963	2,787,172,905
Gain on sale of investment properties	355,065,312	462,742,999	291,424,782	363,192,439	467,216,863	291,630,417
Foreign exchange gain (loss) - net (Note 24)	329,943,826	(89,663,242)	259,100,974	335,847,539	(96,189,849)	260,605,044
Trust fee income (Note 28)	251,489,056	420,721,273	555,954,835	249,371,499	416,286,552	552,576,294
Gain on asset foreclosure and dacion transactions (Note 12)	138,556,699	219,470,577	50,538,556	82,305,633	191,126,297	51,837,658
Miscellaneous (Notes 10, 12, 20 and 28)	1,587,151,376	1,085,974,887	673,944,104	1,017,928,252	1,082,832,730	499,813,658
TOTAL OPERATING INCOME	18,848,023,066	15,096,582,146	13,855,955,583	15,314,295,656	14,140,638,918	13,268,085,514
Compensation and fringe benefits (Notes 23 and 28)	4,170,574,035	3,112,588,968	2,850,571,322	3,030,719,194	2,762,462,214	2,604,402,428
Occupancy cost (Notes 25 and 28)	1,669,407,618	1,229,979,549	1,065,386,034	1,206,551,379	1,059,665,123	949,205,463
Taxes and licenses	1,055,714,221	828,261,895	819,755,015	836,880,795	751,875,186	784,434,373
Depreciation and amortization (Notes 11 and 12)	923,199,525	752,886,033	825,295,807	630,577,477	595,746,442	620,913,478
Insurance	898,228,338	690,029,507	568,346,857	751,524,902	664,178,791	555,981,693
Stationery, supplies and postage	876,929,620	699,570,330	605,316,347	718,926,591	681,351,714	598,933,969
Provision for impairment and credit losses (Note 15)	440,901,390	414,335,872	236,756,182	100,920,462	278,540,863	200,181,569
Transportation and traveling	371,653,065	344,079,528	316,530,142	285,041,941	321,264,135	292,606,142
Entertainment, amusement and recreation	323,536,811	221,735,895	206,536,313	207,047,616	190,673,800	188,736,887
Professional fees, marketing and other related services	229,015,410	174,074,631	165,064,472	165,534,110	157,803,302	143,382,546
Repairs and maintenance	188,588,774	164,317,392	166,580,997	131,855,092	162,285,099	168,287,583
Miscellaneous (Notes 20 and 28)	1,021,797,770	689,738,609	604,517,780	725,311,515	680,378,003	611,515,823
TOTAL OPERATING EXPENSES	12,169,546,577	9,321,598,209	8,430,657,268	8,790,891,074	8,306,224,672	7,718,581,954
INCOME BEFORE INCOME TAX	6,678,476,489	5,774,983,937	5,425,298,315	6,523,404,582	5,834,414,246	5,549,503,560
PROVISION FOR INCOME TAX (Note 26)	1,564,927,273	674,536,437	422,288,616	1,408,832,332	649,928,260	412,557,140
NET INCOME	₱5,113,549,216	₱5,100,447,500	₱5,003,009,699	₱5,114,572,250	₱5,184,485,986	₱5,136,946,420
Attributable to:						
Equity holders of the Parent Company (Note 31)	₱5,116,396,788	₱5,103,258,492	₱5,018,197,140			
Non-controlling interest	(2,847,572)	(2,810,992)	(15,187,441)			
	₱5,113,549,216	₱5,100,447,500	₱5,003,009,699			
Basic/Diluted Earnings Per Share (Note 31)	₱3.08	₱3.27*	₱3.22*			

* Restated to show the effects of stock rights and stock dividends distributed in 2014 (Note 22).

See accompanying Notes to Financial Statements.

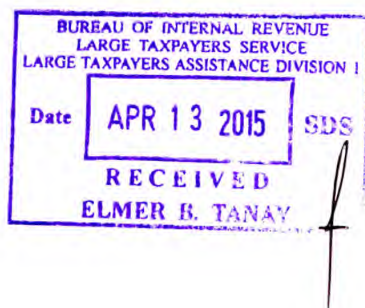


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
NET INCOME	P5,113,549,216	P5,100,447,500	P5,003,009,699	P5,114,572,250	P5,184,485,986	P5,136,946,420
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in fair value of available-for- sale financial assets:						
Fair value gain for the year, net of tax	746,546,547	565,027,367	2,177,977,312	730,007,192	297,493,719	2,057,470,675
Gains taken to profit or loss (Note 20)	(544,094,215)	(2,006,391,602)	(2,701,942,417)	(541,652,784)	(1,716,314,402)	(2,572,816,115)
Cumulative translation adjustment	(86,686,308)	131,858,279	(90,847,759)	(87,714,557)	131,858,279	(90,847,759)
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement gain (loss) on defined benefit asset or liability, net of tax	(405,852,386)	428,205,189	145,327,978	(312,902,399)	400,214,074	157,954,224
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(290,086,362)	(881,300,767)	(469,484,886)	(212,262,548)	(886,748,330)	(448,238,975)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	P4,823,462,854	P4,219,146,733	P4,533,524,813	P4,902,309,702	P4,297,737,656	P4,688,707,445
Total comprehensive income attributable to:						
Equity holders of the Parent Company	P4,826,271,462	P4,222,468,955	P4,548,561,308			
Non-controlling interest	(2,808,608)	(3,322,222)	(15,036,495)			
	P4,823,462,854	P4,219,146,733	P4,533,524,813			

See accompanying Notes to Financial Statements.

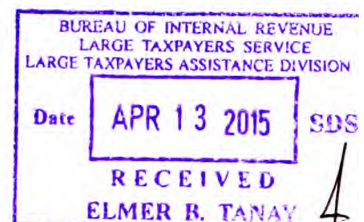


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

	Consolidated									
	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Surplus Reserves (Notes 22 and 27)	Surplus (Notes 22 and 27)	Net Unrealized Gains/(Losses) on Available-for- Sale Financial Assets (Note 8)	Remeasurement Gain on Defined Benefit Asset or Liability (Note 23)	Cumulative Translation Adjustment	Total	Non-controlling Interest (Note 10)	Total Equity
Balance at January 1, 2014	₱14,276,616,580	₱671,504,726	₱775,068,774	₱29,079,842,263	₱79,257,616	₱604,715,114	₱66,347,664	₱45,394,837,505	₱4,861,934	₱45,399,699,439
Total comprehensive income for the year	-	-	-	5,116,396,788	202,177,949	(405,563,883)	(86,739,392)	4,826,271,462	(2,808,608)	4,823,462,854
Transfer from surplus to surplus reserves	-	-	24,937,150	(24,937,150)	-	-	-	-	-	-
Issuance of common shares (₱49.50 per share)	1,616,098,780	6,383,590,181	-	-	-	-	-	7,999,688,961	-	7,999,688,961
Transaction costs on the issuance of common shares	-	(67,530,603)	-	-	-	-	-	(67,530,603)	-	(67,530,603)
Stock dividends - 8.00%	1,271,427,810	-	-	(1,271,427,810)	-	-	-	-	-	-
Cash dividends - ₱1.00 per share	-	-	-	(1,589,271,536)	-	-	-	(1,589,271,536)	-	(1,589,271,536)
Balance at December 31, 2014	₱17,164,143,170	₱6,987,564,304	₱800,005,924	₱31,510,602,555	₱122,920,333	₱199,151,231	₱20,391,728	₱56,563,995,789	₱2,053,326	₱56,566,049,115
Balance at January 1, 2013	₱12,978,742,300	₱671,504,726	₱733,440,119	₱26,873,535,782	₱1,360,625,140	₱177,480,174	(₱65,510,615)	₱42,729,817,626	₱8,387,430	₱42,738,205,056
Total comprehensive income for the year	-	-	-	5,103,258,492	(1,439,882,756)	427,234,940	131,858,279	4,222,468,955	(3,322,222)	4,219,146,733
Additional acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(203,274)	(203,274)
Transfer from surplus to surplus reserves	-	-	41,628,655	(41,628,655)	-	-	-	-	-	-
Stock dividends - 10.00%	1,297,874,280	-	-	(1,297,874,280)	-	-	-	-	-	-
Cash dividends - ₱1.20 per share	-	-	-	(1,557,449,076)	-	-	-	(1,557,449,076)	-	(1,557,449,076)
Balance at December 31, 2013	₱14,276,616,580	₱671,504,726	₱775,068,774	₱29,079,842,263	₱79,257,616	₱604,715,114	₱66,347,664	₱45,394,837,505	₱4,861,934	₱45,399,699,439
Balance at January 1, 2012	₱11,798,766,800	₱671,504,726	₱678,182,490	₱24,506,423,787	₱1,885,084,757	₱31,808,630	₱25,337,144	₱39,597,108,334	₱24,689,616	₱39,621,797,950
Total comprehensive income for the year	-	-	-	5,018,197,140	(524,459,617)	145,671,544	(90,847,759)	4,548,561,308	(15,036,495)	4,533,524,813
Share of non-controlling interest in Unity Bank's net assets	-	-	-	-	-	-	-	-	99,952	99,952
Additional acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1,365,643)	(1,365,643)
Transfer from surplus to surplus reserves	-	-	55,257,629	(55,257,629)	-	-	-	-	-	-
Stock dividends - 10.00%	1,179,975,500	-	-	(1,179,975,500)	-	-	-	-	-	-
Cash dividends - ₱1.20 per share	-	-	-	(1,415,852,016)	-	-	-	(1,415,852,016)	-	(1,415,852,016)
Balance at December 31, 2012	₱12,978,742,300	₱671,504,726	₱733,440,119	₱26,873,535,782	₱1,360,625,140	₱177,480,174	(₱65,510,615)	₱42,729,817,626	₱8,387,430	₱42,738,205,056

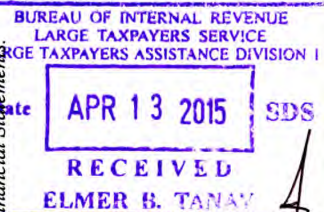
See accompanying Notes to Financial Statements.



CHINA BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

	Parent Company							
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Surplus Reserves (Notes 22 and 27)	Surplus (Notes 22 and 27)	Net Unrealized Gains/(Losses) on Available-for- Sale Financial Assets (Note 8)	Remeasurement Gain on Defined Benefit Asset or Liability (Note 23)	Cumulative Translation Adjustment	Total Equity
Balance at January 1, 2014	₱14,276,616,580	₱671,504,726	₱775,068,774	₱29,261,041,727	(₱73,855,091)	₱596,643,032	₱66,347,664	₱45,573,367,412
Total comprehensive income for the year	-	-	-	5,114,572,250	188,354,408	(312,902,399)	(87,714,557)	4,902,309,702
Transfer from surplus to surplus reserves	-	-	24,937,150	(24,937,150)	-	-	-	-
Issuance of common shares (₱49.50 per share)	1,616,098,780	6,383,590,181	-	-	-	-	-	7,999,688,961
Transaction costs on the issuance of common shares	-	(67,530,603)	-	-	-	-	-	(67,530,603)
Stock dividends - 8.00%	1,271,427,810	-	-	(1,271,427,810)	-	-	-	-
Cash dividends - ₱1.00 per share	-	-	-	(1,589,271,536)	-	-	-	(1,589,271,536)
Balance at December 31, 2014	₱17,164,143,170	₱6,987,564,304	₱800,005,924	₱31,489,977,481	₱114,499,317	₱283,740,633	(₱21,366,893)	₱56,818,563,936
Balance at January 1, 2013	₱12,978,742,300	₱671,504,726	₱733,440,119	₱26,973,507,752	₱1,344,965,592	₱196,428,958	(₱65,510,615)	₱42,833,078,832
Total comprehensive income for the year	-	-	-	5,184,485,986	(1,418,820,683)	400,214,074	131,858,279	4,297,737,656
Transfer from surplus to surplus reserves	-	-	41,628,655	(41,628,655)	-	-	-	-
Stock dividends - 10.00%	1,297,874,280	-	-	(1,297,874,280)	-	-	-	-
Cash dividends - ₱1.20 per share	-	-	-	(1,557,449,076)	-	-	-	(1,557,449,076)
Balance at December 31, 2013	₱14,276,616,580	₱671,504,726	₱775,068,774	₱29,261,041,727	(₱73,855,091)	₱596,643,032	₱66,347,664	₱45,573,367,412
Balance at January 1, 2012	₱11,798,766,800	₱671,504,726	₱678,182,490	₱24,487,646,477	₱1,860,311,032	₱38,474,734	₱25,337,144	₱39,560,223,403
Total comprehensive income for the year	-	-	-	5,136,946,420	(515,345,440)	157,954,224	(90,847,759)	4,688,707,445
Transfer from surplus to surplus reserves	-	-	55,257,629	(55,257,629)	-	-	-	-
Stock dividends - 10.00%	1,179,975,500	-	-	(1,179,975,500)	-	-	-	-
Cash dividends - ₱1.20 per share	-	-	-	(1,415,852,016)	-	-	-	(1,415,852,016)
Balance at December 31, 2012	₱12,978,742,300	₱671,504,726	₱733,440,119	₱26,973,507,752	₱1,344,965,592	₱196,428,958	(₱65,510,615)	₱42,833,078,832

See accompanying Notes to Financial Statements.

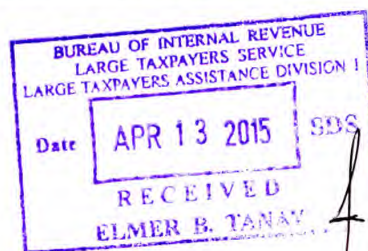


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	December 31			December 31		
	2014	2013	2012	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	¥6,678,476,489	¥5,774,983,937	¥5,425,298,315	¥6,523,404,582	¥5,834,414,246	¥5,549,503,560
Adjustments for:						
Depreciation and amortization (Notes 11 and 12)	923,199,525	752,886,033	825,295,807	630,577,477	595,746,442	620,913,478
Trading and securities gain on available-for-sale financial assets (Note 20)	(544,094,215)	(2,006,391,602)	(2,701,942,417)	(541,652,784)	(1,716,314,402)	(2,572,816,115)
Provision for impairment and credit losses (Note 15)	440,901,390	414,335,872	236,756,182	100,920,462	278,540,863	200,181,569
Gain on acquisition of additional shares of an associate (Note 10)	(373,297,479)	—	—	—	—	—
Gain on sale of investment properties	(355,065,312)	(462,742,999)	(291,424,782)	(363,192,439)	(467,216,863)	(291,630,417)
Gain on bargain purchase (Note 10)	—	—	(165,885,493)	—	—	—
Gain on asset foreclosures and dation transactions (Note 12)	(138,556,699)	(219,470,577)	(50,538,556)	(82,305,633)	(191,126,297)	(51,837,658)
Gain on sale of investment in associate (Note 10)	(64,556,998)	—	—	—	—	—
Amortization of transaction costs	(61,854,796)	—	—	—	—	—
Unrealized market valuation loss (gain) on derivative assets and liabilities (Note 24)	(51,292,115)	(877,329,828)	202,790,964	(51,292,115)	(877,329,828)	202,790,964
Share in net losses of an associate (Note 10)	912,243	—	—	—	—	—
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at FVPL	5,793,595,992	2,206,817,562	(9,499,445,508)	2,407,081,455	2,206,817,562	(9,499,445,508)
Loans and receivables	(37,385,287,700)	(31,031,274,375)	(44,314,185,546)	(35,121,669,666)	(25,818,525,642)	(41,675,493,491)
Other assets	(2,397,839,406)	192,306,235	72,384,299	(639,819,283)	172,768,019	(140,730,057)
Increase (decrease) in the amounts of:						
Deposit liabilities	463,405,773	82,290,962,810	54,863,508,126	1,252,780,725	76,757,744,130	51,101,255,066
Manager's checks	189,248,055	58,683,683	314,150,719	117,690,779	(31,600,585)	290,148,203
Accrued interest and other expenses	(304,813,896)	(120,307,629)	163,071,186	(133,145,942)	(111,216,744)	139,242,414
Other liabilities	(199,380,866)	288,882,095	(206,093,129)	(778,486,693)	205,798,361	(266,807,347)
Net cash generated from (used in) operations	(27,386,300,015)	57,262,341,217	4,873,740,167	(26,679,109,075)	56,838,499,262	3,605,274,661
Income taxes paid	(565,202,082)	(495,207,289)	(397,890,351)	(487,634,327)	(477,121,886)	(370,560,842)
Net cash provided by (used in) operating activities	(27,951,502,097)	56,767,133,928	4,475,849,816	(27,166,743,402)	56,361,377,376	3,234,713,819
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to bank premises, furniture, fixtures and equipment (Note 11)	(1,063,903,692)	(1,165,241,076)	(672,250,956)	(895,274,168)	(994,536,029)	(559,705,134)
Proceeds from disposal of bank premises, furniture, fixtures and equipment (Note 11)	304,303,020	10,528,796	173,162,335	325,409,602	3,715,622	34,464,243
Proceeds from sale of investment properties	1,449,957,931	1,183,655,279	894,822,219	954,912,729	1,138,047,387	903,152,520
Acquisition through business combination - net of cash acquired (Note 10)	4,051,917,132	—	285,009,741	—	—	—
Additions to equity investments (Note 10)	—	—	—	(4,089,200,038)	—	(401,365,643)
Proceeds from sale of investments in associates (Note 10)	283,599,000	—	—	—	—	—
Purchases of:						
Held-to-maturity financial assets	(696,782,584)	—	(919,066,409)	—	—	(919,066,409)
Available-for-sale financial assets	(22,893,153,399)	(54,203,924,571)	(67,188,900,188)	(22,211,530,430)	(51,487,632,563)	(62,145,836,118)
Proceeds from sale/maturity of:						
Held-to-maturity financial assets	804,157,154	542,686,584	1,214,677,836	768,801,386	542,736,566	1,131,497,835
Available-for-sale financial assets	29,570,639,838	51,992,306,306	73,472,915,046	29,062,490,255	49,266,834,500	68,186,241,260
Net cash provided by (used in) investing activities	11,810,734,400	(1,639,988,682)	7,260,369,624	3,915,609,336	(1,530,834,517)	6,229,382,554

(Forward)

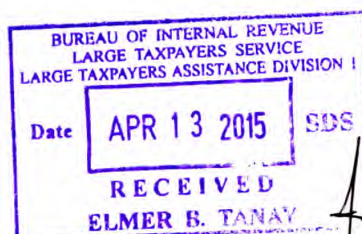


	Consolidated			Parent Company		
	December 31					
	2014	2013	2012	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of bills payable	(P8,480,028,188)	(P44,688,753,580)	(P4,190,278,412)	(P7,456,841,342)	(P44,688,753,580)	(P4,190,278,412)
Availments of bills payable	4,629,728,323	49,461,140,132	6,075,613,038	4,335,247,656	49,461,140,132	6,075,613,038
Payment of subordinated debt (Note 17)	(525,000,000)	-	-	-	-	-
Proceeds from issuance of common shares (Note 22)	7,932,158,358	-	-	7,932,158,358	-	-
Payments of cash dividends (Note 22)	(1,589,271,536)	(1,557,449,076)	(1,415,852,016)	(1,589,271,536)	(1,557,449,076)	(1,415,852,016)
Acquisitions of non-controlling interest (Note 10)	-	(203,274)	(1,365,643)	-	(203,274)	-
Payment of subscription payable	-	-	-	-	-	(252,464,431)
Net cash provided by financing activities	1,967,586,957	3,214,734,202	468,116,967	3,221,293,136	3,214,734,202	217,018,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(14,173,180,740)	58,341,879,448	12,204,336,407	(20,029,840,930)	58,045,277,061	9,681,114,552
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	7,281,640,616	6,160,371,861	6,050,366,433	7,035,251,105	5,996,785,687	5,902,040,106
Due from Bangko Sentral ng Pilipinas	78,968,132,522	40,659,682,959	30,122,324,047	75,678,312,048	37,597,455,540	29,571,232,355
Due from other banks	23,885,538,128	4,527,376,998	2,745,404,931	23,215,575,357	4,289,620,222	2,729,474,436
Securities purchased under resale agreements	-	446,000,000	671,000,000	-	-	-
	110,135,311,266	51,793,431,818	39,589,095,411	105,929,138,510	47,883,861,449	38,202,746,897
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	10,734,059,421	7,281,640,616	6,160,371,861	9,295,129,845	7,035,251,105	5,996,785,687
Due from Bangko Sentral ng Pilipinas	67,451,647,883	78,968,132,522	40,659,682,959	60,543,866,682	75,678,312,048	37,597,455,540
Due from other banks	17,552,823,222	23,885,538,128	4,527,376,998	15,836,701,053	23,215,575,357	4,289,620,222
Interbank loans receivable	223,600,000	-	446,000,000	223,600,000	-	-
	P95,962,130,526	P110,135,311,266	P51,793,431,818	P85,899,297,580	P105,929,138,510	P47,883,861,449

OPERATING CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	December 31					
	2014	2013	2012	2014	2013	2012
Interest paid	P4,304,419,584	P4,314,899,682	P4,923,244,739	P3,159,848,440	P4,007,533,566	P4,704,185,908
Interest received	18,059,567,395	14,016,511,091	13,087,624,009	14,523,546,701	13,283,813,369	12,679,491,185

See accompanying Notes to Financial Statements.



CHINA BANKING CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

China Banking Corporation (the Parent Company) is a publicly listed commercial bank incorporated in the Philippines. The Parent Company acquired its universal banking license in 1991. It provides expanded commercial banking products and services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury products, trust products, foreign exchange, corporate finance and other investment banking services through a network of 314 and 295 local branches as of December 31, 2014 and 2013, respectively.

The Parent Company has the following subsidiaries:

Subsidiary	Effective Percentages of Ownership		Country of Incorporation	Principal Activities
	2014	2013		
Chinabank Insurance Brokers, Inc. (CIBI)	100.00%	100.00%	Philippines	Insurance brokerage
CBC Properties and Computer Center, Inc. (CBC-PCCI)	100.00%	100.00%	Philippines	Computer services
CBC Forex Corporation*	100.00%	100.00%	Philippines	Foreign exchange
China Bank Savings, Inc. (CBSI)	98.00%	95.25%	Philippines	Retail and consumer banking
Unity Bank, A Rural Bank, Inc. (Unity Bank)**	—	99.95%	Philippines	Rural banking
Planters Development Bank (PDB)	99.85%	—	Philippines	Retail and consumer banking

* In the process of liquidation and awaiting clearance from regulatory bodies to effect dissolution

** Merged with CBSI on January 20, 2014 (Note 10)

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.01% and 19.54% as of December 31, 2014 and 2013, respectively.

The Parent Company's principal place of business is at 8745 Paseo de Roxas cor. Villar St., Makati City.

On April 2, 2014, the Board of Directors (BOD) of the Parent Company approved the amendments of the Articles of Incorporation and the By-Laws to (a) specify the complete principal address of the Parent Company, in compliance with the directives of the Securities and Exchange Commission (SEC) and (b) to revise the limits of Filipino and foreign shareholdings, in order to align foreign ownership limit with those of other publicly-listed banks, consistent with the provisions under Section 11 of the General Banking Law of 2000 (Republic Act No. 8791) and Section X126 of the Manual of Regulations for Banks. The BOD of the Parent Company also approved the amendment of the articles of incorporation to allow the waiver of pre-emptive rights of stockholders, in order to conform to the general practice of Philippine banks. The foregoing amendments were ratified by the stockholders on May 8, 2014. These were subsequently approved by the Bangko Sentral ng Pilipinas (BSP) and the SEC on August 7, 2014 and August 29, 2014, respectively.



2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as “the Group”).

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) financial assets, and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso, and all values are rounded to the nearest peso except when otherwise indicated.

The financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements of these units are combined after eliminating inter-unit accounts.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Group and the Parent Company present its balance sheets in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and the Parent Company.

Certain prior year amounts have been reclassified for consistency with the current period presentation. Certain special deposit accounts were reclassified from savings deposit liabilities to time deposit liabilities due to the deposit product features. The effect of reclassification as of December 31, 2013 amounted to ₱128.57 billion. This reclassification had no effect on the reported results of operations. This change in classification does not affect previously reported cash flows in the statements of cash flows, and had no effect on the previously reported statement of income and statement of comprehensive income.

Basis of Consolidation and Investments in Subsidiaries

The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.



Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the related OCI recorded in equity and recycle the same to profit or loss or surplus
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes the remaining difference in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be recognized if the Group had directly disposed of the related assets or liabilities

Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.



Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2014. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

New and Amended Standards and Interpretations

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies*

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

Standards that have been adopted and are deemed to have an impact in the financial statements or the performance of the Group are described below.

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement system (such as central clearing house systems) which apply gross settlement mechanism that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosure only and have no impact on the Bank’s financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group’s financial position or performance as it presents its short-term receivables and payables at carrying value.



Significant Accounting Policies

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiaries is the Philippine peso.

Transactions and balances

The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the PDS weighted average rate (PDSWAR) for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Parent Company's presentation currency (the Philippine Peso) at the PDS closing rate prevailing at the balance sheet date, and its income and expenses are translated at the PDSWAR for the year. Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'.

Fair Value Measurement

The Group measures financial instruments such as financial assets at FVPL and AFS investments at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and interbank loans receivable which have original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVPL, and in equity for assets classified as AFS investments. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.



Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and liabilities held for trading purposes, financial assets and financial liabilities designated upon initial recognition as at FVPL, and derivative instruments.

Financial instruments held for trading

Financial instruments held for trading (HFT) include government debt securities and quoted equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair value; realized and unrealized gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned or incurred on financial instruments held for trading is reported under 'Interest income' (for financial assets) and 'Interest expense' (for financial liabilities).

Financial instruments designated at FVPL

Financial assets and financial liabilities are designated as at FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Trading and securities gain - net' in the statement of income. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Derivatives recorded at FVPL

The Parent Company is a party to derivative instruments, particularly, forward exchange contracts, interest rate swaps (IRS) and warrants. These contracts are entered into as a service to customers and as a means of reducing and managing the Parent Company's foreign exchange risk, and interest rate risk as well as for trading purposes, but are not designated as hedges. Such derivative financial instruments are stated at fair value through profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income under 'Foreign exchange gain - net' for forward exchange contracts and 'Trading and securities gain-net' for IRS, warrants and embedded credit derivatives.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for at FVPL.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; b) a separate



instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

Held-to-maturity financial assets

HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group would sell other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in income when the HTM financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated HTM financial assets are recognized in the statement of income.

Loans and receivable

This accounting policy relates to the balance sheet captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Loans and receivables', and 'Accrued interest receivable'. It also applies to accounts receivable and other financial instruments shown under 'Other assets'. These are financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as FVPL;
- those that the Group, upon initial recognition, designates as AFS; and
- those for which the Group may not cover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included under 'Interest income' in the statement of income. The losses arising from impairment are recognized under 'Provision for impairment and credit losses' in the statement of income.

Available-for-sale financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.



After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of translation of foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as 'Net unrealized gain (loss) on AFS financial assets' under OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on holding AFS debt securities are reported as 'Interest income' using the EIR. Dividends earned on holding AFS equity instruments are recognized in the statement of income as 'Miscellaneous income' when the right to the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

Other financial liabilities

These are issued financial instruments or their components which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified and not designated as at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the balance sheet captions 'Deposit liabilities', 'Bills payable', 'Manager's checks', 'Subordinated debt', and financial liabilities presented under 'Accrued interest and other expenses' and 'Other liabilities'.

Reclassification of Financial Assets

The Group may reclassify, in certain circumstances, non-derivative financial assets out of the HFT investments category and into the AFS investments, Loans and Receivables or HTM investments categories. The Group may also reclassify, in certain circumstances, financial instruments out of the AFS investment to Loans and Receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

The Group may reclassify a non-derivative trading asset out of HFT investments and into the Loans and Receivable category if it meets the definition of loans and receivables, the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity and only in rare circumstances. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.



For a financial asset reclassified out of the AFS investments category, any previous gain or loss on that asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired then the amount recorded in OCI is recycled to the statement of income. Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the FVPL category after initial recognition. An analysis of reclassified financial assets is disclosed in Note 8.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type and past-due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for impairment and credit losses'.



Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

Investment in Subsidiaries

In the separate or parent company financial statements, investment in a subsidiary is carried at cost, less accumulated impairment in value. Dividends earned on this investment is recognized in the Parent Company's statement of income as declared by the respective BOD of the investee.

Investment in Associates

Associates pertain to all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated financial statements, investments in associates are accounted for under the equity method of accounting.



Under the equity method, an investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying value of the investments and is not amortized. The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits or losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the separate or parent company financial statements, investments in associates are carried at cost, less accumulated impairment in value. Dividends earned on these investments are recognized in the Parent Company's statement of income as declared by the respective BOD of the investees.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in profit or loss or as a charge to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.



Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment in value while depreciable properties including buildings, leasehold improvements, and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the bank premises, furniture, fixtures and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs.

Depreciation and amortization is calculated on the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

	EUL
Buildings	50 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvements	Shorter of 6 years or the related lease terms

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment and leasehold improvements.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.



Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables which are measured initially at cost including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the EUL of the building and improvement components of investment properties which ranged from 10 to 33 years from the time of acquisition of the investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition of an investment property is recognized as 'Gain on sale of investment properties' in the statement of income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets include branch licenses resulting from the Parent Company's acquisition of CBSI, Unity Bank and PDB (Notes 10 and 13).

The branch licenses are initially measured at fair value as of the date of acquisition and are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Such intangible assets are not amortized, instead they are tested for impairment annually either individually or at the CGU level. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in earnings when the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., investment in associates, investment properties, bank premises, furniture, fixtures and equipment and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.



Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises.

For nonfinancial assets, excluding goodwill and branch licenses, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed, except for goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.



Capital Stock

Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the balance sheets. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS financial assets, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Loan fees and service charges

Loan commitment fees are recognized as earned over the terms of the credit lines granted to each borrower. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligations to perform under the syndication agreement.

Service charges and penalties are recognized only upon collection or accrued where there is a reasonable degree of certainty as to their collectability.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Trading and securities gain

This represents results arising from trading activities including all gains and losses from changes in fair value of financial assets held for trading and designated at FVPL. It also includes gains and losses realized from sale of AFS financial assets.

Other income

Income from sale of service is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.



Rental income

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Expense Recognition

Expense is recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest Expense

Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Other Expenses

Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Group. Expenses are recognized when incurred.

Retirement Benefits

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from



the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock splits, stock dividends declared and stock rights exercised during the year, if any.

The Parent Company has no outstanding dilutive potential common shares.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries. Dividends declared during the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30. The Group's revenue producing assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.



Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Events after the Reporting Period

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting event) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Future Changes in Accounting Policies

The Group will adopt the Standards and Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

PFRS 9, Financial Instruments – Classification and Measurement (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on the classification and measurement of financial liabilities.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.



Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. The Group does not expect the amendment to have an impact since it has a noncontributory defined benefit plan.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, Share-based Payment – Definition of Vesting Condition

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Group as it has no share-based payments.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider the amendment for future business combinations.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been



aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affect disclosures only and the Group does not expect that PFRS 8 will have material financial impact in future financial statements.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance.

PAS 24, Related Party Disclosures – Key Management Personnel

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, Fair Value Measurement – Portfolio Exception

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, Investment Property

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Group's financial position or performance.



Effective January 1, 2016

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since it does not use a revenue-based method to depreciate its non-current assets.

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that the amendment would be relevant to the Group.

PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. It is not expected that the amendment would be relevant to the Group.



PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard would not apply to the Group since it is an existing PFRS preparer.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016, and are not expected to have a material impact on the Group. They include:

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, Financial Instruments: Disclosures – Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.



PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits – regional market issue regarding discount rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group is currently assessing the impact of adopting this standard.

PFRS 9, Financial Instruments (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.



PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally. This new standard issued by the IASB has not yet been adopted by the FRSC.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. Assessment of control over the entities for consolidation

The Group has majority owned subsidiaries discussed in Note 2. Management concluded that the Group controls these wholly owned and majority owned subsidiaries through its voting rights and, therefore, consolidates these entities in its consolidated financial statements.



b. Assessment of significant influence over an associate

Management concluded that the Parent Company has significant influence over an associate even though it holds less than 20.00% of the voting rights because of the arrangement entered into with the associate's majority owner that grants the Parent Company with a representation in the associate's BOD which allows it to participate in the policy-making process of the associate (Note 10).

c. Functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment in determining the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

d. Fair value of financial instruments

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions conducted on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, they are determined using a variety of valuation techniques acceptable to the market as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

e. HTM financial assets

The classification to HTM financial assets requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as part of AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.

f. Embedded derivatives

The Group assesses the existence of an embedded derivative when it first becomes a party to the contract and performs reassessment if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.



An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or liabilities at FVPL. Changes in fair values of embedded derivatives are included in the statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

As of December 31, 2014 and 2013, the Group's investment in preferred shares contains embedded derivatives in the form of an optional redemption feature. The embedded option together with the preferred shares have been designated by management as at FVPL (Note 8).

g. *Operating leases*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating leases.

The Group has also entered into leases on premises it uses for its operations. The Group has determined, based on the evaluation of the lease agreement, that all significant risks and rewards of ownership of the properties it leases are not transferrable to the Group.

h. *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.



Estimates

a. Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

b. Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (e.g., financial models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All financial models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, the financial models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments (Note 5).

c. Credit losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in the balance sheet and any changes thereto in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment assessment on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The resulting collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Notes 9 and 15.

d. Impairment of AFS equity investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair values below their costs or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the original cost of investment, and 'prolonged' as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and discount factors for unquoted equities.

The carrying values of AFS equity investments and the related allowance for impairment of the Group and the Parent Company are disclosed in Notes 8 and 15.



e. *Impairment of HTM and AFS debt investments*

The Group determines that AFS debt investments are impaired based on the same criteria as loans and receivables.

As of December 31, 2014 and 2013, HTM and AFS debt investments were unimpaired. The carrying values of HTM and AFS debt investments are disclosed in Note 8.

f. *Estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties*

The Group estimates the useful lives of its bank premises, furniture, fixture and equipment, and investment properties. These estimates are reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of bank premises, furniture, fixture and equipment, and investment properties.

A reduction in the estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets. The estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties are disclosed in Note 2.

g. *Impairment on investments in subsidiaries and associates and other nonfinancial assets*

The Parent Company assesses impairment on its investments in subsidiaries and associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties and bank premises, furniture, fixtures and equipment) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the Group's investments in subsidiaries and associate and other nonfinancial assets are disclosed in Notes 10, 11 and 12, respectively.



h. Impairment of goodwill and branch licenses

The Group conducts an annual review for any impairment in the value of goodwill and branch licenses. Goodwill and branch licenses are written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate is derived from the average increase in annual income of the CGUs during the last 5 years. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9.87% and 12.05% in 2014 and 2013, respectively, for the branch licenses and goodwill arising from the acquisition of CBSI and 9.47% in 2014 for the branch licenses arising from the acquisition of Unity Bank. Key assumptions in value-in-use calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The carrying values of the Group's goodwill and branch licenses are disclosed in Note 13.

i. Net plan assets and retirement expense

The determination of the Group's net plan assets and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates, and salary increase.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the balance sheets date. Refer to Note 23 for the details on the assumptions used in the calculation.

The present value of the retirement obligation and fair value of plan assets are disclosed in Note 23.

j. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management discretion is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its recorded deferred tax assets. Taxable income is sourced mainly from interest income from lending activities and earnings from service charge, fees, commissions and trust activities.

The recognized and unrecognized deferred tax assets are disclosed in Note 26.



4. Financial Instrument Categories

The following table presents the total carrying amount of the Group's and the Parent Company's financial instruments per category:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Financial assets				
Cash and other cash items	₱10,734,059,421	₱7,281,640,616	₱9,295,129,845	₱7,035,251,105
Financial assets at FVPL	8,440,698,688	10,421,423,053	8,012,435,288	10,421,423,053
AFS financial assets	38,476,852,312	44,349,256,775	37,075,237,960	43,196,190,593
HTM financial assets	12,109,343,604	12,150,546,829	11,353,787,827	12,122,589,213
Loans and receivables:				
Due from BSP	67,451,647,883	78,968,132,522	60,543,866,682	75,678,312,048
Due from other banks	17,552,823,222	23,885,538,128	15,836,701,053	23,215,575,357
Interbank loans receivable	223,600,000	—	223,600,000	—
Loans and receivables	290,418,729,517	220,540,902,915	245,257,220,870	210,762,269,411
Accrued interest receivable	2,236,980,535	1,899,408,789	1,910,677,425	1,801,594,853
Other assets*	4,210,193,764	2,605,330,259	2,077,964,151	2,355,729,934
	382,093,974,921	327,899,312,613	325,850,030,181	313,813,481,603
Total financial assets	₱451,854,928,946	₱402,102,179,886	₱391,586,621,101	₱386,588,935,567

* Other assets exclude net plan assets, creditable withholding taxes and miscellaneous nonfinancial assets (Note 14).

	Consolidated		Parent Company	
	2014	2013	2014	2013
Financial liabilities				
Other financial liabilities:				
Deposit liabilities	₱399,301,544,058	₱354,268,202,680	₱341,084,634,212	₱339,831,853,487
Bills payable	6,320,579,549	8,299,194,525	5,177,600,839	8,299,194,525
Manager's checks	1,221,394,875	859,892,248	822,179,038	704,488,259
Accrued interest and other expenses*	553,809,803	548,272,803	293,850,152	498,286,297
Subordinated debt	1,188,761,984	—	—	—
Other liabilities**	3,228,576,293	3,054,871,530	2,115,168,292	2,722,643,351
	411,814,666,562	367,030,433,786	349,493,432,533	352,056,465,919
Financial liabilities at FVPL:				
Derivative liabilities	101,609,941	154,808,366	101,609,941	154,808,366
Total financial liabilities	₱411,916,276,503	₱367,185,242,152	₱349,595,042,474	₱352,211,274,285

* Accrued interest and other expenses exclude accrued payable for employee benefits, accrued taxes and other licenses, and accrued lease payable (Note 18).

** Other liabilities exclude withholding taxes payable and retirement liabilities (Note 19).

5. Fair Value Measurement

The Group has assets and liabilities in the consolidated balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVPL and AFS financial assets. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated balance sheet in particular circumstances. For example, PFRS 5 requires an entity to measure an asset held for sale at the lower of its carrying amount and fair value less costs to sell. Since the asset's fair value less costs to sell is only recognized in the balance sheet when it is lower than its carrying amount, that fair value measurement is non-recurring.



As of December 31, 2014 and 2013, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	Consolidated			
	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
HTM financial assets:				
Government bonds	₱11,754,049,239	₱13,214,633,880	₱11,800,868,261	₱13,777,054,471
Private bonds	355,294,365	394,752,254	349,678,568	403,498,491
Loans and receivables:				
Corporate and commercial loans	234,134,056,334	236,479,681,990	180,577,431,460	181,699,876,526
Consumer loans	42,040,196,042	42,006,979,768	28,820,536,954	31,178,193,986
Trade-related loans	13,961,117,215	14,282,127,181	11,042,819,939	11,447,877,620
Others	283,359,926	190,151,134	100,114,562	103,584,257
Sales contracts receivable	1,233,338,602	1,217,094,254	474,299,468	488,640,974
Financial Liabilities				
Deposit liabilities	399,301,544,058	388,897,198,467	354,268,202,680	349,841,938,319
Bills payable	6,320,579,549	6,219,514,787	8,299,194,525	8,086,926,720
Subordinated debt	1,188,761,984	1,160,252,996	—	—
	Parent Company			
	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
HTM financial assets:				
Government bonds	₱10,998,493,462	₱12,429,750,442	₱11,772,910,645	₱13,749,096,855
Private bonds	355,294,365	394,752,254	349,678,568	403,498,491
Loans and receivables:				
Corporate and commercial loans	206,096,457,910	206,200,831,267	176,863,670,106	177,900,721,066
Consumer loans	26,764,112,902	28,188,018,241	22,765,855,817	23,148,845,237
Trade-related loans	12,315,856,740	12,555,689,889	11,042,819,939	11,447,877,620
Others	80,793,318	81,899,320	89,923,549	93,496,275
Sales contracts receivable	352,360,682	380,300,248	403,784,273	415,948,066
Financial Liabilities				
Deposit liabilities	341,084,634,212	330,299,420,213	339,831,853,487	334,990,850,792
Bills payable	5,177,600,839	5,075,936,018	8,299,194,525	8,086,926,720

The methods and assumptions used by the Group and Parent Company in estimating the fair values of the financial instruments follow:

Cash and other cash items, due from BSP and other banks, interbank loans receivable and accrued interest receivable - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - For publicly traded equity securities, fair values are based on quoted prices published in the Philippine equity markets. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

Loans and receivables and sales contracts receivable (SCR) included in other assets - Fair values of loans and receivables and SCR are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental lending rates for similar types of loans and receivables.



Accounts receivable, returned checks and other cash items (RCOCI) and other financial assets included in other assets - Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

Derivative instruments (included under FVPL) - Fair values are estimated based on quoted market prices provided by independent parties or accepted valuation models (either based on discounted cash flow techniques or option pricing models, as applicable).

Derivative assets and liabilities- Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the balance sheet date, taking into account the remaining term to maturity of the derivative assets and liabilities.

Bifurcated embedded derivatives (included under Derivative assets) - Fair values are estimated based on a valuation model from Bloomberg using inputs provided by counterparty banks.

Deposit liabilities (time, demand and savings deposits) - Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bills payable - Fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued.

Manager's checks and accrued interest and other expenses - Carrying amounts approximate fair values due to the short-term nature of the accounts.

Subordinated debt - Fair value is estimated using the discounted cash flow methodology using current credit spread for similar types of borrowings.

Other liabilities - Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs that are not based on observable market data or unobservable inputs.



As of December 31, 2014 and 2013, the fair value hierarchy of the Group's and Parent Company's assets and liabilities are presented below:

	Consolidated			
	2014			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements^(a)				
Financial assets at FVPL (Note 8)				
Held-for-trading:				
Treasury notes	₱641,896,570	₱1,668,188,799	₱–	₱2,310,085,369
Government bonds	600,848,520	323,999,667	–	924,848,187
Private bonds and commercial	997,631,752	–	–	997,631,752
Treasury bills	–	71,826	–	71,826
Financial assets designated at FVPL	3,918,504,492	–	–	3,918,504,492
Derivative assets	–	289,557,062	–	289,557,062
AFS financial assets (Note 8)				
Government bonds	16,640,650,848	18,843,398,424	–	35,484,049,272
Private bonds and commercial papers	2,277,687,388	529,169,134	–	2,806,856,522
Quoted equity shares	150,123,537	–	–	150,123,537
	25,227,343,107	21,654,384,912	–	46,881,728,019
Financial liabilities at FVPL				
Derivative liabilities	–	101,609,941	–	101,609,941
	–	101,609,941	–	101,609,941
Fair values of assets carried at amortized cost/cost^(a)				
HTM financial assets				
Government bonds	13,167,729,996	46,903,884	–	13,214,633,880
Private bonds	394,752,254	–	–	394,752,254
Loans and receivables				
Corporate and commercial loans	–	–	236,479,681,990	236,479,681,990
Consumer loans	–	–	42,006,979,768	42,006,979,768
Trade-related loans	–	–	14,282,127,181	14,282,127,181
Others	–	–	190,151,134	190,151,134
Sales contracts receivable	–	–	1,217,094,254	1,217,094,254
Investment properties ^(b)				
Land	–	–	7,472,845,653	7,472,845,653
Buildings and improvements	–	–	2,368,784,747	2,368,784,747
	13,562,482,250	46,903,884	304,017,664,727	317,627,050,861
Fair values of liabilities carried at amortized cost^(a)				
Deposit liabilities	–	–	388,897,198,467	388,897,198,467
Bills payable	–	–	6,219,514,787	6,219,514,787
Subordinated debt	–	–	1,160,252,996	1,160,252,996
	₱–	₱–	₱396,276,966,250	₱396,276,966,250

(a) valued as of December 31, 2014

(b) valued at various dates in 2014 and 2013

	Consolidated			
	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements^(a)				
Financial assets at FVPL (Note 8)				
Held-for-trading:				
Government bonds	₱2,289,626,987	₱–	₱–	₱2,289,626,987
Treasury notes	651,643,244	1,234,324,938	–	1,885,968,182
Private bonds and commercial	893,905,336	–	–	893,905,336
Financial assets designated at FVPL	4,856,408,376	–	–	4,856,408,376
Derivative assets	–	495,514,172	–	495,514,172
AFS financial assets (Note 8)				
Government bonds	2,473,338,078	37,161,774,934	–	39,635,113,012
Private bonds and commercial papers	3,555,275,367	979,626,875	–	4,534,902,242
Quoted equity shares	150,459,385	–	–	150,459,385
	14,870,656,773	39,871,240,919	–	54,741,897,692
Financial liabilities at FVPL				
Derivative liabilities	–	154,808,366	–	154,808,366
	–	154,808,366	–	154,808,366

(Forward)



	Consolidated			
	2013			
	Level 1	Level 2	Level 3	Total
Fair values of assets carried at amortized cost/cost^(a)				
HTM financial assets				
Government bonds	₱13,777,054,471	₱—	₱—	₱13,777,054,471
Private bonds	403,498,491	—	—	403,498,491
Loans and receivables				
Corporate and commercial loans	—	—	181,699,876,526	181,699,876,526
Consumer loans	—	—	31,178,193,986	31,178,193,986
Trade-related loans	—	—	11,447,877,620	11,447,877,620
Others	—	—	103,584,257	103,584,257
Sales contracts receivable	—	—	488,640,974	488,640,974
Investment properties ^(b)				
Land	—	—	5,083,109,886	5,083,109,886
Buildings and improvements	—	—	1,475,952,133	1,475,952,133
	14,180,552,962	—	231,477,235,382	245,657,788,344
Fair values of liabilities carried at amortized cost^(a)				
Deposit liabilities	—	—	349,841,938,319	349,841,938,319
Bills payable	—	—	8,086,926,720	8,086,926,720
	₱—	₱—	₱357,928,865,039	₱357,928,865,039

(a) valued as of December 31, 2013

(b) valued at various dates in 2013 and 2012

	Parent Company			
	2014			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements^(a)				
Financial assets at FVPL (Note 8)				
Held-for-trading:				
Treasury notes	₱603,230,922	₱1,389,542,863	₱—	₱1,992,773,785
Government bonds	600,141,651	213,754,720	—	813,896,371
Private bonds and commercial papers	997,631,752	—	—	997,631,752
Treasury bills	—	71,826	—	71,826
Financial assets designated at FVPL	3,918,504,492	—	—	3,918,504,492
Derivative assets	—	289,557,062	—	289,557,062
AFS financial assets (Note 8):				
Government bonds	15,463,158,593	18,790,261,297	—	34,253,419,890
Private bonds and commercial papers	2,123,877,887	529,169,134	—	2,653,047,021
Quoted equity shares	149,358,344	—	—	149,358,344
	23,855,903,641	21,212,356,902	—	45,068,260,543
Financial liabilities at FVPL				
Derivative liabilities	—	101,609,941	—	101,609,941
	—	101,609,941	—	101,609,941
Fair values of assets carried at amortized cost/cost^(a)				
Held-to-maturity financial assets				
Government bonds	12,429,750,442	—	—	12,429,750,442
Private bonds	394,752,254	—	—	394,752,254
Loans and receivables				
Corporate and commercial loans	—	—	206,200,831,267	206,200,831,267
Consumer loans	—	—	28,188,018,241	28,188,018,241
Trade-related loans	—	—	12,555,689,889	12,555,689,889
Others	—	—	81,899,320	81,899,320
Sales contracts receivable	—	—	380,300,248	380,300,248
Investment properties ^(b)				
Land	—	—	4,454,157,743	4,454,157,743
Buildings and improvements	—	—	1,270,863,872	1,270,863,872
	12,824,502,696	—	253,131,760,580	265,956,263,276
Fair values of liabilities carried at amortized cost				
Deposit liabilities	—	—	330,299,420,213	330,299,420,213
Bills payable	—	—	5,075,936,018	5,075,936,018
	₱—	₱—	₱335,375,356,231	₱335,375,356,231

(a) valued as of December 31, 2014

(b) valued at various dates in 2014 and 2013



	Parent Company			
	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements^(a)				
Financial assets at FVPL (Note 8)				
Held-for-trading:				
Government bonds	₱2,289,626,987	₱—	₱—	₱2,289,626,987
Treasury notes	651,643,244	1,234,324,938	—	1,885,968,182
Private bonds and commercial papers	893,905,336	—	—	893,905,336
Financial assets designated at FVPL	4,856,408,376	—	—	4,856,408,376
Derivative assets	—	495,514,172	—	495,514,172
AFS financial assets (Note 8):				
Government bonds	1,497,096,370	37,161,774,934	—	38,658,871,304
Private bonds and commercial papers	3,394,861,168	979,626,875	—	4,374,488,043
Quoted equity shares	143,418,541	—	—	143,418,541
	13,726,960,022	39,871,240,919	—	53,598,200,941
Financial liabilities at FVPL				
Derivative liabilities	—	154,808,366	—	154,808,366
	—	154,808,366	—	154,808,366
Fair values of assets carried at amortized cost/cost^(a)				
Held-to-maturity financial assets				
Government bonds	13,749,096,855	—	—	13,749,096,855
Private bonds	403,498,491	—	—	403,498,491
Loans and receivables				
Corporate and commercial loans	—	—	177,900,721,066	177,900,721,066
Consumer loans	—	—	23,148,845,237	23,148,845,237
Trade-related loans	—	—	11,447,877,620	11,447,877,620
Others	—	—	93,496,275	93,496,275
Sales contracts receivable	—	—	415,948,066	415,948,066
Investment properties ^(b)				
Land	—	—	4,894,397,892	4,894,397,892
Buildings and improvements	—	—	1,288,677,139	1,288,677,139
	14,152,595,346	—	219,189,963,295	233,342,558,641
Fair values of liabilities carried at amortized cost				
Deposit liabilities	—	—	334,990,850,792	334,990,850,792
Bills payable	—	—	8,086,926,720	8,086,926,720
	₱—	₱—	₱343,077,777,512	₱343,077,777,512

(a) valued as of December 31, 2013

(b) valued at various dates in 2013 and 2012

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2014 and 2013.

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of reporting date.

Private bonds and commercial papers - quoted market price of comparable investments with credit risk premium that is insignificant to the entire fair value measurement.

Derivative assets and liabilities - fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the balance sheet date, taking into account the remaining term to maturity of the derivative assets and liabilities.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under level 3 include risk-free rates and applicable risk premium.

The fair values of the Group's and Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best



use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group and the Parent Company:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction Cost New

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and the Parent Company's investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.

Significant Unobservable Inputs

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.



6. Financial Risk Management Objectives and Policies

The Group's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Group through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits and thresholds, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Group has placed due importance on expanding and strengthening its risk management process and considers it as a vital component to the Group's continuing profitability and financial stability. Central to the Group's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Group faces are: credit risk, market risk (i.e. interest rate risk, foreign currency risk and equity price risk) and liquidity risk. The Group's risk management objective is primarily focused on controlling and mitigating these risks. The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries, particularly CBSI and PDB, have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. The gravity of the risks, the magnitude of the financial instruments involved, and regulatory requirements are primary considerations to the scope and extent of the risk management processes put in place for the subsidiaries.

Risk Management Structure

The BOD of the Parent Company is ultimately responsible for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BODs. The BOD of the Parent Company created a separate board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

The BOD has delegated to the Risk Management Committee (RMC) the implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits and thresholds. The RMC is composed of four members of the BOD.

The Risk Management Group (RMG) is the direct support of the RMC in the day-to-day risk management and the implementation of the risk management strategies approved by the RMC. The implementation cuts across all departments of the Parent Company and involves all of the Parent Company's financial instruments, whether "on-books" or "off-books." The RMG is likewise responsible for monitoring the implementation of specific risk control procedures and enforcing compliance thereto. The RMG is also directly involved in the day-to-day risk measurement and monitoring to make sure that the Parent Company, in its transactions and dealings, engages only in acceptable and manageable financial risks. The RMG also ensures that risk measurements are accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG regularly reports the results of the risk measurements to the RMC. The RMG is headed by the Chief Risk Officer (CRO).

Apart from RMG, each business unit has created and put in place various process controls which ensure that all the external and internal transactions and dealings of the unit are in compliance with the unit's risk management objectives.



The Internal Audit Division also plays a crucial role in risk management primarily because it is independent of the business units and reports exclusively to the Audit Committee which, in turn, is comprised of independent directors. The Internal Audit Division focuses on ensuring that adequate controls are in place and on monitoring compliance to controls. The regular audit covers all processes and controls, including those under the risk management framework handled by the RMG. The audit of these processes and controls is undertaken at least annually. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the Audit Committee.

Risk Management Reporting

The CRO and other members of the RMG report to the RMC and are a resource to the Management Committee (ManCom) on a monthly and a weekly basis, respectively. The CRO reports on key risk indicators and specific risk management issues that would need resolution from top management. This is undertaken after the risk issues and key risk indicators have been discussed with the business units concerned.

The key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. The key risk indicators contain information from all business units that provide measurements on the level of the risks taken by the Parent Company in its products, transactions and financial structure. Among others, the report on key risk indicators includes information on the Parent Company's aggregate credit exposure, credit metric forecasts, hold limit exceptions, Value-at-Risk (VaR) analysis, utilization of market and credit limits, liquidity ratios, overall loan loss provisioning and risk profile changes. Loan loss provisioning and credit limit utilization are, however, discussed in more detail in the Credit Committee. On a monthly basis, detailed reporting of single-name and sectoral concentration is included in the discussion with the RMC. On the other hand, the Chief Internal Auditor reports to the Audit Committee on a monthly basis on the results of branch or business unit audits and for the resolution of pending but important internal audit issues.

In 2013, the Parent Company implemented the Asset and Liability Management (ALM) system for liquidity risk and interest rate risk, which greatly improved its risk measurement and reporting. In 2014, the Parent Company acquired a new market risk management system to enhance its risk measurement and reporting of market risk metrics.

Risk Mitigation

The Parent Company uses derivatives to manage exposures in its financial instruments resulting from changes in interest rates and foreign currencies exposures. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for the Parent Company and its subsidiaries.

To further mitigate risks throughout its different business units, the Parent Company formulates risk management policies and continues to improve its existing policies. These policies further serve as the framework and set of guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, preventive controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff, as well as, among business units are reiterated in these policies. To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations and front line activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework created by the RMG are taken up and resolved in the RMC and ManCom.



Based on the approved Operational Risk Assessment Program, RMG spearheaded the bankwide (all Head Office units and branches) risk identification and self-assessment process. This would enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure a controlled operating environment. RMG was also mandated to maintain and update the Parent Company's Centralized Loss Database wherein all reported incidents of losses shall be encoded to enable assessment of weaknesses in the processes and come up with viable improvements to avoid recurrence.

Monitoring and controlling risks are primarily performed based on various limits and thresholds established by the top management covering the Group's transactions and dealings. These limits and thresholds reflect the Group's business strategies and market environment, as well as, the levels of risks that the Group is willing to tolerate, with additional emphasis on selected industries. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Group's Management identified the need for an ALM application to strategically manage risks arising from mismatches between the Parent Company's assets and liabilities, particularly in the areas of liquidity risk and interest rate risk. An ALM would support high-level decisions with regard to funds pricing and resource allocation.

The ALM system project began in 2011. The liquidity and interest rate risk modules used for the automated generation of the Maximum Cumulative Outflow (MCO) and Earnings-at-Risk reports were successfully implemented in 2013. The Funds Transfer Pricing modules of the Treasury Group and Corporate Planning Group were implemented in 2014.

For the measurement of market risk exposures, the Bank uses Historical Simulation VaR approach for derivative instruments, including IRS, foreign exchange swaps and forwards, while Parametric VaR is used for fixed income securities products.

The Parent Company is in the process of testing and implementing a new market risk system module to support its trading and derivative activities.

BSP issued Circular No. 639 dated January 15, 2009 which mandated the use of the Internal Capital Adequacy Assessment Process (ICAAP) by all universal and commercial banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

On January 29, 2014, the BOD affirmed that the priority risks set in the 2009 Risk Self-assessment Survey and voting conducted among selected members of the BOD and Senior Management remain the same.

The Parent Company had submitted its ICAAP document, in compliance with BSP requirements on January 30, 2014. The document disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile.



For the ICAAP document submitted on January 30, 2014 and January 30, 2015, the Parent Company retained the Pillar 1 Plus approach using the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels is now primarily based on the results of the Integrated Stress Test (IST). The adoption of the IST allows the Parent Company to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

Credit Risk

Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items

Credit risk is the risk of financial loss on account of a counterparty to a financial product failing to honor its obligation. The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) or enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

The Group established risk limits and thresholds for purposes of monitoring and managing credit risk from individual counterparties and/or groups of counterparties, as well as industry divisions. It also conducts periodical assessment of the creditworthiness of its counterparties. In addition, the Group obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

In compliance with BSP requirements, the Group established an internal Credit Risk Rating System (CRRS) for the purpose of measuring credit risk for corporate borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making. The CRRS covers corporate borrowers with total assets, total facilities, or total credit exposures amounting to ₱15.00 million and above.

Further, the CRRS was designed within the technical requirements defined under BSP Circular No. 439. It has two components, namely: a) Borrower Risk Rating which provides an assessment of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Rating which provides an assessment of the proposed facilities as mitigated or enhanced by security arrangements. The CRRS rating scale consists of ten grades, six of which fall under unclassified accounts, with the remaining four falling under classified accounts in accordance with regulatory provisioning guidelines.

On March 5, 2014, the Parent Company approved the engagement of a third-party consultant for the quantitative and qualitative validation of the internal CRRS. Said engagement was completed in December 2014 and results show the need to proceed to the next phase of the engagement, which is the recalibration of the internal CRRS. If this recommendation is approved by the BOD, Phase 2 will start by the 1st Half of 2015.

Aside from the internal CRRS, the Parent Company launched in 2011 the Borrower Credit Score (BCS), a credit scoring system designed for retail small and medium entities and individual loan accounts. The BCS is currently implemented on a test run basis. The scheduled live implementation was deferred after the surface-level review of the model showed a need for recalibration. To further validate the results of the review, a statistical validation of the BCS shall be done in 2015 using the same methodology applied to the validation of the internal CRRS. If the



results of the statistical validation confirm the weakness in the predictive capability of the model, then the BCS shall be recalibrated in 2016.

In 2014, the Parent Bank also started working on a unified credit risk rating model architecture for the Parent Bank and the Subsidiary Banks. Primary objectives of this initiative is: a) to have a consistent methodology in evaluating a borrower's credit-worthiness across the organization; b) to provide a clear direction on the development of credit risk models and ensure that the efforts of the Parent and Subsidiary Banks are aligned.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of the Group's and Parent Company's assets, liabilities, and credit commitment items (Note 29) by geographic region as of December 31, 2014 and 2013 (in millions) follows:

	Consolidated					
	2014			2013		
	Assets	Liabilities	Credit Commitments	Assets	Liabilities	Credit Commitments
Geographic Region:						
Philippines	₱418,167	₱408,561	₱145,489	₱372,203	₱359,930	₱147,608
Asia	4,806	329	3,922	4,132	183	3,951
Europe	1,032	2,041	936	1,430	6,123	659
United States	27,501	984	2,180	23,521	943	592
Others	349	1	20	816	6	27
	₱451,855	₱411,916	₱152,547	₱402,102	₱367,185	₱152,837

	Parent Company					
	2014			2013		
	Assets	Liabilities	Credit Commitments	Assets	Liabilities	Credit Commitments
Geographic Region:						
Philippines	₱357,899	₱346,240	₱136,468	₱356,690	₱344,956	₱143,633
Asia	4,806	329	3,922	4,132	183	3,951
Europe	1,032	2,041	936	1,430	6,123	659
United States	27,501	984	2,180	23,521	943	592
Others	349	1	19	816	6	27
	₱391,587	₱349,595	₱143,525	₱386,589	₱352,211	₱148,862

Information on credit concentration as to industry of loans and receivables is presented in Note 9 to the financial statements.



Maximum exposure to credit risk

The table below provides the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values as reflected in the balance sheets and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

Consolidated			
2014			
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables			
Corporate and commercial lending	₱234,134,056,334	₱179,607,068,399	₱54,526,987,935
Consumer lending	42,040,196,042	17,273,258,999	24,766,937,043
Trade-related lending	13,961,117,215	13,105,846,182	855,271,033
Others	283,359,926	92,559,791	190,800,135
	290,418,729,517	210,078,733,371	80,339,996,146
Sales contracts receivable	1,233,338,602	–	1,233,338,602
	₱291,652,068,119	₱210,078,733,371	₱81,573,334,748

Consolidated			
2013			
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables			
Corporate and commercial lending	₱180,577,431,460	₱156,619,442,036	₱23,957,989,424
Consumer lending	28,820,536,954	27,012,374,717	1,808,162,237
Trade-related lending	11,042,819,939	9,673,433,911	1,369,386,028
Others	100,114,562	29,921,415	70,193,147
	220,540,902,915	193,335,172,079	27,205,730,836
Sales contracts receivable	474,299,468	–	474,299,468
	₱221,015,202,383	₱193,335,172,079	₱27,680,030,304

Parent Company			
2014			
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables			
Corporate and commercial lending	₱206,096,457,910	₱172,623,242,605	₱33,473,215,305
Consumer lending	26,764,112,902	16,277,214,975	10,486,897,927
Trade-related lending	12,315,856,740	11,638,435,498	677,421,242
Others	80,793,318	20,432,790	60,360,528
	245,257,220,870	200,559,325,868	44,697,895,002
Sales contracts receivable	352,360,682	–	352,360,682
	₱245,609,581,552	₱200,559,325,868	₱45,050,255,684



Parent Company			
2013			
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables			
Corporate and commercial lending	₱176,863,670,106	₱154,552,470,702	₱22,311,199,404
Consumer lending	22,765,855,817	20,957,693,580	1,808,162,237
Trade-related lending	11,042,819,939	9,673,433,911	1,369,386,028
Others	89,923,549	19,730,402	70,193,147
	210,762,269,411	185,203,328,595	25,558,940,816
Sales contracts receivable	403,784,273	–	403,784,273
	₱211,166,053,684	₱185,203,328,595	₱25,962,725,089

For the Group, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱130.64 billion and ₱2.05 billion, respectively, as of December 31, 2014 and ₱59.09 billion and ₱1.11 billion, respectively, as of December 31, 2013.

For the Parent Company, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱94.22 billion and ₱1.07 billion, respectively, as of December 31, 2014 and ₱57.28 billion and ₱0.99 billion, respectively, as of December 31, 2013.

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under financial assets at FVPL (Note 8). As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 29 to the financial statements.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate lending and commercial lending- real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Management requests additional collateral in accordance with the underlying agreement and takes into consideration the market value of collateral during its review of the adequacy of allowance for credit losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Parent Company does not occupy repossessed properties for business use.

Collaterals foreclosed in 2014 and 2013 and are still held by the Group as of December 31, 2014 and 2013 amounted to ₱1.04 billion and ₱362.38 million, respectively. These collaterals comprised of real estate properties and stock securities.



Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using an internal credit rating system for the purpose of measuring credit risk in a consistent manner as accurately as possible. The model on risk ratings is assessed regularly because the Group uses this information as a tool for business and financial decision making. Aside from the periodic review by the Bank's Internal Audit Group, the Bank likewise engaged the services of third-party consultants in 2013 and 2014 for purposes of conducting an independent validation of the credit risk rating model.

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The attributable risk ratings are assessed and monitored regularly. The standard credit rating equivalent grades are relevant only for certain exposures in each risk rating class.

The following table shows the description of the internal CRRS grade:

CRRS Grade	Description
1	Excellent
2	Strong
3	Good
4	Satisfactory
5	Acceptable
6	Watchlist
7	Especially Mentioned
8	Substandard
9	Doubtful
10	Loss

The credit grades are defined as follows:

Excellent - This category applies to a borrower with a very low probability of going into default in the coming year. The borrower has a high degree of stability, substance, and diversity. It has access to raise substantial amounts of funds through the public markets at any time. The borrower has a very strong debt service capacity and a conservative use of balance sheet leverage. The track record in profit terms is very good. The borrower is of highest quality under virtually all economic conditions.

Strong - This category applies to a borrower with a low probability of going into default in the coming year. The borrower normally has a comfortable degree of stability, substance, and diversity. Under normal market conditions, the borrower in this category has good access to public markets to raise funds. The borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is deemed very strong; the critical balance sheet ratios (vis-à-vis industry) are conservative.

Good - This category covers the smaller corporations with limited access to public capital markets or access to alternative financial markets. This access is however limited to favorable economic and/or market conditions. Typical for this type of borrower is the combination of comfortable



asset protection and acceptable balance sheet structure (vis-à-vis industry). The debt service capacity, as measured based on cash flows, is strong.

Satisfactory - This category represents the borrower where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. The borrower in this category normally has limited access to public financial markets. The borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity as measured by cash flow is deemed adequate. The borrower has reported profits for the past fiscal year and is expected to report a profit in the current year.

Acceptable - The risk elements for the Parent Company are sufficiently pronounced, although the borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

Watchlist - This category represents the borrower for which unfavorable industry or company-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. The borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility. It includes the borrower where the credit exposure is not a risk of loss at the moment, but the performance of the borrower has weakened, and unless present trends are reversed, could lead to losses.

Especially Mentioned - This category applies to the borrower that is characterized by a reasonable probability of default, manifested by some or all the following: (a) evidence of weakness in the borrower's financial condition or creditworthiness; (b) unacceptable risk is generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned; (c) the borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized; (d) the borrower is expected to have financial difficulties and exposure may be at risk. Closer account management attention is warranted. Concerted efforts should be made to improve lender's position (e.g., demanding additional collateral or reduction of account exposure). These potential weaknesses, if left uncorrected or unmitigated, would affect the repayment of the loan and, thus, increase credit risk to the Parent Company.

Substandard - This category represents the borrower where one or more of the following factors apply: (a) the collection of principal or interest becomes questionable regardless of scheduled payment date, by reason of adverse developments on account of a financial, managerial, economic, or political nature, or by important weaknesses in cover; (b) the probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics. There exists in such loans the possibility of future loss to the Parent Company unless given closer supervision.

Doubtful - This category includes the borrower with "non-performing loan" status or with any portion of interest and/or principal payment is in arrears for more than ninety (90) days. The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful. Doubtful loans are loans or portions thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics



that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

Loss - This category represents the borrower whose prospect for re-establishment of creditworthiness and debt service is remote. It also applies where the Parent Company will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the borrower's business. These loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The Group's loans and receivables from customers were classified according to credit quality as follows:

Credit Quality Rating	Criteria
Neither Past Due Nor Impaired	
High	Loans with risk rating of 1 and 2
Standard	Loans with risk rating of 3 to 5
Sub-Standard	Generally, loans with risk rating of 6 to 8
Past Due or Impaired	
Past Due but not Impaired	Those that were classified as Past Due per BSP guidelines or those that are still in current status but have objective evidence of impairment; Generally, loans with risk rating of 9 to 10
Impaired	

The table below shows the Group's loans and receivables, excluding other receivables (gross allowance for credit losses and unearned discount) as of December 31, 2014 and 2013 (in millions) classified according to credit quality:

Consolidated 2014							
Neither Past Due nor Impaired				Unrated	Past Due But Not Impaired	Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade					
Corporate and commercial lending	₱33,755	₱139,229	₱45,132	₱14,825	₱849	₱5,410	₱239,200
Consumer lending	13,694	5,598	2,465	19,529	1,770	442	43,498
Trade-related lending	1,860	10,913	1,177	77	19	624	14,670
Others	16	64	—	192	3	8	283
Total	₱49,325	₱155,804	₱48,774	₱34,623	₱2,641	₱6,484	₱297,651

Consolidated 2013							
Neither Past Due nor Impaired				Unrated	Past Due But Not Impaired	Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade					
Corporate and commercial lending	₱39,524	₱89,964	₱37,855	₱14,977	₱224	₱3,353	₱185,897
Consumer lending	5,222	3,226	4,034	15,841	885	675	29,883
Trade-related lending	386	9,267	1,332	72	23	698	11,778
Others	10	—	—	88	2	—	100
Total	₱45,142	₱102,457	₱43,221	₱30,978	₱1,134	₱4,726	₱227,658

Parent Company 2014							
Neither Past Due nor Impaired				Unrated	Past Due But Not Impaired	Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade					
Corporate and commercial lending	₱10,036	₱136,558	₱44,915	₱14,866	₱682	₱3,882	₱210,939
Consumer lending	33	4,421	2,329	19,529	1,272	97	27,681
Trade-related lending	220	10,907	1,177	77	19	624	13,024
Others	—	—	—	77	—	4	81
Total	₱10,289	₱151,886	₱48,421	₱34,549	₱1,973	₱4,607	₱251,725



Parent Company							
2013							
	Neither Past Due nor Impaired				Past Due But Not Impaired	Past Due or Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated			
Corporate and commercial lending	₱36,380	₱89,542	₱37,855	₱14,887	₱117	₱3,186	₱181,967
Consumer lending	1,828	3,165	1,351	15,878	884	517	23,623
Trade-related lending	386	9,267	1,332	72	23	698	11,778
Others	—	—	—	88	2	—	90
Total	₱38,594	₱101,974	₱40,538	₱30,925	₱1,026	₱4,401	₱217,458

Depository accounts with the BSP and counterparty banks, Trading and Investment Securities

For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e. Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade.

The external risk rating of the Group's depository accounts with the BSP and counterparty banks, trading and investment securities, is grouped as follows:

Credit Quality Rating	External Credit Risk Rating	Credit Rating Agency
High grade	AAA, AA+, AA, AA-	S&P
	Aaa, Aa1, Aa2, Aa3	Moody's
	AAA, AA+, AA, AA-	Fitch
Standard grade	A+, A, A-, BBB+, BBB, BBB-	S&P
	A1, A2, A3, Baa1, Baa2, Baa3	Moody's
	A+, A, A-, BBB+, BBB, BBB-	Fitch
Substandard grade	BB+, BB, BB-, B/B+, CCC, R, SD & D	S&P
	Ba1, Ba2, Ba3, B1, B2, R, SD & D	Moody's
	BB+, BB, BB-, B/B+, CCC, R, SD & D	Fitch

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA - An obligor has extremely strong capacity to meet its financial commitments.

AA - An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors at a minimal degree.

A - An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB and below:

BBB - An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB - An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.



B - An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC - An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC - An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R - An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D - An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

The table below shows the credit quality of deposits and investments as of December 31, 2014 and 2013 (in millions), based on external risk ratings (gross of allowance for credit losses).

Consolidated				
2014				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P-	P67,452	P-	P67,452
Due from other banks	6,944	7,779	1,234	15,957
Interbank loans receivable	-	224	-	224
Financial assets at FVPL	55	3,389	106	3,550
AFS financial assets	887	34,437	2,355	37,679
HTM financial assets	-	12,109	-	12,109
	P7,886	P125,390	P3,695	P136,971

Consolidated				
2013				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P-	P78,968	P-	P78,968
Due from other banks	2,160	20,765	240	23,165
Financial assets at FVPL	946	3,582	59	4,587
AFS financial assets	3,295	40,156	-	43,451
HTM financial assets	-	12,151	-	12,151
	P6,401	P155,622	P299	P162,322

Parent Company				
2014				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P-	P60,544	P-	P60,544
Due from other banks	6,924	7,779	1,028	15,731
Interbank loans receivable	-	224	-	224
Financial assets at FVPL	55	2,960	106	3,121
AFS financial assets	885	33,212	2,353	36,450
HTM financial assets	-	11,354	-	11,354
	P7,864	P116,073	P3,487	P127,424



Parent Company				
2013				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P=	P75,678	P=	P75,678
Due from other banks	2,109	20,573	31	22,713
Financial assets at FVPL	946	3,582	59	4,587
AFS financial assets	3,295	39,170	–	42,465
HTM financial assets	–	12,123	–	12,123
	P6,350	P151,126	P90	P157,566

Due from other banks and government securities

The external risk rating of the Group's depository accounts with counterparty banks, trading and investment securities, is grouped as follows (aligned with the Philippine Ratings System):

Credit Quality Rating	External Credit Risk Rating
High grade	PRSAAA, PRSAa+, PRSAa, PRSAa-
Standard grade	PRSA+, PRSA, PRSA-, PRSBaa+, PRSBaa, PRSBaa-
Substandard grade	PRSBa+, PRSBa, PRSBa-, PRSB+, PRSB, PRSB-, PRSCaa+, PRSCaa, PRSCaa-, PRSCa+, PRSCa, PRSCa-, PRSC+, PRSC, PRSC-

PRSAaa - The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa - The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA - With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRSA' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong.

PRSBaa - An obligation rated 'PRS Baa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRSBaa-rated issues may possess certain speculative characteristics.

PRSBa - An obligation rated 'PRSBa' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRSB - An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRSCaa - An obligation rated 'PRSCaa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk



PRSCa - An obligation rated “PRSCa” is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC - An obligation is already in default with very little prospect for any recovery of principal or interest.

The table below shows the credit quality of deposits and investments, by class, as of December 31, 2014 and 2013 (in millions), based on risk grades of a local rating agency (gross of allowance for credit losses).

Consolidated				
2014				
	High Grade	Standard Grade	Substandard Grade	Total
Due from other banks	P—	P29	P—	P29
Financial assets at FVPL	651	—	—	651
AFS financial assets	557	1	—	558
Total	P1,208	P30	P—	P1,238

Consolidated				
2013				
	High Grade	Standard Grade	Substandard Grade	Total
Due from other banks	P134	P584	P—	P718
Financial assets at FVPL	5,736	—	—	5,736
AFS financial assets	545	—	—	545
Total	P6,415	P584	P—	P6,999

Parent Company				
2014				
	High Grade	Standard Grade	Substandard Grade	Total
Financial assets at FVPL	P651	P—	P—	P651
AFS financial assets	403	—	—	403
Total	P1,054	P—	P—	P1,054

Parent Company				
2013				
	High Grade	Standard Grade	Substandard Grade	Total
Due from other banks	P—	P500	P—	P500
Financial assets at FVPL	5,736	—	—	5,736
AFS financial assets	388	—	—	388
Total	P6,124	P500	P—	P6,624

The table below shows the breakdown of unrated deposits and investments (gross of allowance for credit losses) as of December 31, 2014 and 2013 (in millions):

	Consolidated		Parent Company	
	2014	2013	2014	2013
Due from other banks	P1,567	P3	P106	P3
Financial assets at FVPL	4,240	98	4,240	98
AFS financial assets	279	393	229	350
Other assets*	4,916	3,367	2,720	3,099
Total	P11,002	P3,861	P7,295	P3,550

* Other assets exclude net plan assets, creditable withholding taxes and miscellaneous nonfinancial assets (Note 14).



The table below shows the aging analysis of gross past due but not impaired loans and receivables that the Group and Parent Company held as of December 31, 2014 and December 31, 2013 (in millions). Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2014	Consolidated				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial lending	P227	P96	P127	P399	P849
Consumer lending	420	83	37	1,230	1,770
Trade-related lending	7	—	—	12	19
Others	—	—	—	3	3
Total	P654	P179	P164	P1,644	P2,641

December 31, 2013	Consolidated				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial lending	P25	P25	P—	P174	P224
Consumer lending	406	58	42	379	885
Trade-related lending	16	—	—	7	23
Others	1	—	—	1	2
Total	P448	P83	P42	P561	P1,134

December 31, 2014	Parent Company				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial lending	P217	P91	P108	P266	P682
Consumer lending	397	56	20	799	1,272
Trade-related lending	7	—	—	12	19
Others	—	—	—	—	—
Total	P621	P147	P128	P1,077	P1,973

December 31, 2013	Parent Company				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial lending	P25	P25	P—	P67	P117
Consumer lending	406	57	42	379	884
Trade-related lending	16	—	—	7	23
Others	1	—	—	1	2
Total	P448	P82	P42	P454	P1,026

The following table presents the carrying amount of financial assets of the Group and Parent Company as of December 31, 2014 and 2013 that would have been considered past due or impaired if not renegotiated:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Loans and advances to customers:				
Corporate and commercial lending	P1,405,181,503	P690,027,946	P396,018,476	P668,959,232
Consumer lending	43,266,423	11,790,809	39,060,801	11,790,809
Total renegotiated financial assets	P1,448,447,926	P701,818,755	P435,079,277	P680,750,041



Impairment assessment

The main considerations for the loan impairment assessment include whether any payment of principal or interest is overdue by more than 90 days, or there are known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is no objective evidence of individual impairment yet. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment yet per an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Market Risk

Market risk is the risk of loss that may result from changes in the value of a financial product. The Parent Company's market risk originates from its holdings of domestic and foreign-denominated debt securities, foreign exchange instruments, equities, foreign exchange derivatives and interest rate derivatives.

The RMG of the Parent Company is responsible for assisting the RMC with its responsibility for identifying, measuring, managing and controlling market risk. Market risk management measures the Parent Company market risk exposures through the use of VaR. VaR is a statistical measure that estimates the maximum potential loss from a portfolio over a holding period, within a given confidence level.

VaR assumptions

The Parent Company calculates the Bankwide VaR in certain trading activities. The Parent Company uses the Parametric Variance-Covariance and Duration-Based approach to VaR for domestic- and foreign- denominated debt securities and Delta Approximation Historical Simulation approach to VaR for foreign exchange instruments, equities, foreign exchange derivatives and interest rate derivatives, using a 99% confidence level and a 1-day holding period.



The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days. The validity of the VaR model is verified through back testing, which examines how frequently actual and hypothetical daily losses exceeds daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading positions and exposures are reviewed daily against the limits by management. Further, stress testing is performed in monitoring extreme events.

Limitations of the VaR Methodology

The VaR models are designed to measure market risk in a normal market environment using equally weighted historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow the same distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the assumptions. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Group would withstand an extreme market event.

A summary of the VaR position of the trading portfolio of the Parent Company is as follows:

	Interest Rate ¹	Foreign Exchange ²	Equity	Interest Rate ³	Interest Rate ⁴
	(In Millions)				
2014					
31 December	₱41.98	₱7.63	₱43.20	₱4.44	₱3.10
Average daily	53.56	12.19	57.74	9.56	10.13
Highest	100.85	30.29	76.99	18.01	18.62
Lowest	28.33	1.52	40.34	2.84	3.10
2013					
31 December	₱68.69	₱13.70	₱62.09	₱15.90	₱11.40
Average daily	80.03	14.82	105.59	12.36	6.60
Highest	132.29	37.37	131.56	39.21	14.54
Lowest	42.28	5.70	62.09	4.90	0.39

¹ Interest rate VaR for debt securities (Interest rate VaR for foreign currency denominated debt securities are translated to PHP using prior month's closing rate)

² FX VaR is the bankwide foreign exchange risk

³ Interest rate VaR for FX swaps and FX forwards

⁴ Interest rate VaR for IRS



Interest Rate Risk

The Group's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Parent Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

As of December 31, 2014 and 2013, 79.49% and 72.82% of the Group's total loan portfolio, respectively, comprised of floating rate loans which are repriced periodically by reference to the transfer pool rate which reflects the Group's internal cost of funds. In keeping with banking industry practice, the Group aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers.

Interest is paid on demand accounts, which constituted 26.08% and 22.26% of total deposits of the Parent Company as of December 31, 2014 and 2013, respectively.

Interest is paid on savings accounts and time deposits accounts, which constitute 25.45% and 48.47%, respectively, of total deposits of the Parent Company as of December 31, 2014, and 20.27% and 57.47%, respectively, as of December 31, 2013.

Savings account interest rates are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments, or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Group is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its AFS and FVPL portfolios. Market values of these investments are sensitive to fluctuations in interest rates.

The following table provides for the average effective interest rates by period of repricing of the Group and of the Parent Company as of December 31, 2014 and 2013:

	Consolidated					
	2014			2013		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
Peso						
Assets						
Due from BSP	0.64%	—	—	0.75%	—	—
Due from banks	0.30%	—	—	0.28%	—	—
Investment securities*	2.75%	5.39%	5.28%	0.88%	4.70%	5.43%
Loans and receivables	4.93%	7.14%	8.61%	5.28%	7.04%	9.80%
Liabilities						
Deposit liabilities	0.68%	1.72%	4.38%	1.18%	2.05%	6.12%
Bills payable	0.00%	6.20%	5.04%	3.76%	3.76%	4.15%
Subordinated debt	6.27%	6.27%	—	—	—	—
USD						
Assets						
Investment securities*	6.82%	0.00%	5.38%	2.77%	—	4.78%
Loans and receivables	2.68%	2.94%	4.34%	2.51%	2.08%	5.65%
Liabilities						
Deposit liabilities	1.27%	1.72%	0.00%	1.34%	1.70%	—
Bills payable	0.94%	1.43%	1.73%	0.52%	—	1.12%

* Consisting of financial assets at FVPL, AFS financial assets and HTM financial assets.



Parent Company						
	2014			2013		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
Peso						
Assets						
Due from BSP	0.61%	—	—	0.70%	—	—
Due from banks	0.22%	—	—	0.29%	—	—
Investment securities*	2.75%	5.48%	5.31%	0.88%	4.71%	5.47%
Loans and receivables	4.87%	6.38%	7.55%	5.24%	6.33%	9.07%
Liabilities						
Deposit liabilities	0.66%	1.12%	4.20%	1.15%	1.96%	6.59%
Bills payable	0.00%	6.20%	5.04%	3.76%	3.76%	4.15%
USD						
Assets						
Investment securities*	6.82%	0.00%	5.38%	2.77%	—	4.78%
Loans and receivables	2.68%	2.94%	4.34%	2.51%	2.08%	5.65%
Liabilities						
Deposit liabilities	1.27%	1.73%	0.00%	1.34%	1.71%	—
Bills payable	0.94%	1.43%	1.73%	0.52%	—	1.12%

* Consisting of financial assets at FVPL, AFS financial assets and HTM financial assets.

The asset-liability gap analysis method is used by the Group to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Group's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Group's balance sheet into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

The following table sets forth the repricing gap position of the Group and Parent Company as of December 31, 2014 and 2013 (in millions):

	Consolidated			
	2014			
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱67,452	₱—	₱—	₱67,452
Due from banks	17,553	—	—	17,553
Investment securities	2,960	502	55,565	59,027
Loans and receivables	221,671	36,449	32,299	290,419
Total financial assets	309,636	36,951	87,864	434,451

(Forward)



Consolidated				
2014				
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Liabilities				
Deposit liabilities	₱161,552	₱10,025	₱227,725	₱399,302
Bills payable	877	2,048	3,396	6,321
Subordinated debt	892	297	–	1,189
Total financial liabilities	163,321	12,370	231,121	406,812
Repricing gap	₱146,315	₱24,581	(₱143,257)	₱27,639

Consolidated				
2013				
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱78,968	₱–	₱–	₱78,968
Due from banks	23,886	–	–	23,886
Investment securities	1,376	431	65,114	66,921
Loans and receivables	173,849	25,710	20,982	220,541
Total financial assets	278,079	26,141	86,096	390,316
Financial Liabilities				
Deposit liabilities	187,147	8,875	158,246	354,268
Bills payable	4,028	1	4,270	8,299
Total financial liabilities	191,175	8,876	162,516	362,567
Repricing gap	₱86,904	₱17,265	(₱76,420)	₱27,749

Parent Company				
2014				
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱60,544	₱–	₱–	₱60,544
Due from banks	15,837	–	–	15,837
Investment securities	1,361	481	54,599	56,441
Loans and receivables	188,602	30,488	26,167	245,257
Total financial assets	266,344	30,969	80,766	378,079
Financial Liabilities				
Deposit liabilities	148,690	8,731	183,664	341,085
Bills payable	877	2,048	2,253	5,178
Total financial liabilities	149,567	10,779	185,917	346,263
Repricing gap	₱116,777	₱20,190	(₱105,151)	₱31,816

Parent Company				
2013				
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Assets				
Due from BSP	₱75,678	₱–	₱–	₱75,678
Due from banks	23,216	–	–	23,216
Investment securities	1,376	430	63,934	65,740
Loans and receivables	172,065	22,123	16,574	210,762
Total financial assets	272,335	22,553	80,508	375,396

(Forward)



	Parent Company			
	2013			
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
Financial Liabilities				
Deposit liabilities	₱179,377	₱8,694	₱151,761	₱339,832
Bills payable	4,028	1	4,270	8,299
Total financial liabilities	183,405	8,695	156,031	348,131
Repricing gap	₱88,930	₱13,858	(₱75,523)	₱27,265

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses to parallel changes in the interest rate curve in a given 12-month period.

The following table sets forth the estimated change in the Group's and Parent Company's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2014 and 2013:

	Consolidated			
	2014			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,647,494,030	₱823,747,015	(₱823,747,015)	(₱1,647,494,030)
As a percentage of the Group's net interest income for the year ended December 31, 2014	11.69%	5.85%	(5.85%)	(11.69%)
	Consolidated			
	2013			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱998,533,038	₱499,266,519	(₱499,266,519)	(₱998,533,038)
As a percentage of the Group's net interest income for the year ended December 31, 2013	10.05%	5.02%	(5.02%)	(10.05%)
	Parent Company			
	2014			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,319,184,938	₱659,592,469	(₱659,592,469)	(₱1,319,184,938)
As a percentage of the Parent Company's net interest income for the year ended December 31, 2014	11.39%	5.69%	(5.69%)	(11.39%)



	Parent Company			
	2013			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱993,241,986	₱496,620,993	(₱496,620,993)	(₱993,241,986)
As a percentage of the Parent Company's net interest income for the year ended December 31, 2013	10.50%	5.25%	(5.25%)	(10.50%)

The following table sets forth the estimated change in the Group's and Parent Company's income before tax and equity due to a reasonably possible change in the market prices of quoted bonds classified under financial assets at FVPL and AFS financial assets, brought about by movement in the interest rate curve as of December 31, 2014 and 2013:

	Consolidated			
	2014			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱50,050,734)	(₱20,141,935)	₱20,306,342	₱51,078,353
Change in equity	(670,424,296)	(270,077,356)	272,656,008	686,542,015

	Consolidated			
	2013			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱86,819,142)	(₱34,977,851)	₱35,316,047	₱88,933,009
Change in equity	(862,447,259)	(347,649,561)	351,263,124	885,033,833

	Parent Company			
	2014			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱44,703,337)	(₱17,994,399)	₱18,147,275	₱45,658,886
Change in equity	(650,480,668)	(262,054,549)	264,572,028	666,216,031

	Parent Company			
	2013			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱86,819,142)	(₱34,977,851)	₱35,316,047	₱88,933,009
Change in equity	(848,828,466)	(342,166,905)	345,733,011	871,118,409

Foreign Currency Risk

The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-denominated liabilities (foreign exchange liabilities).

Foreign exchange liabilities generally consist of foreign currency-denominated deposits in the Group's FCDU account made in the Philippines or generated from remittances to the Philippines by persons overseas who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Group.



Foreign currency liabilities are generally used to fund the Group's foreign exchange assets which generally consist of foreign currency-denominated loans and investments in the FCDU. Banks are required by the BSP to match the foreign currency-denominated assets with liabilities held in the FCDU that are denominated in the same foreign currency. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency-denominated liabilities held in the FCDU.

The Group's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Group believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Group and its subsidiaries are engaged.

The table below summarizes the Group's and Parent Company's exposure to foreign exchange risk. Included in the table are the Group's and Parent Company's assets and liabilities at carrying amounts (stated in US Dollars), categorized by currency (in thousands):

	Consolidated							
	2014				2013			
	USD	Other Currencies	Total	PHP	USD	Other Currencies	Total	PHP
Assets								
Cash and other cash items	\$11,362	\$2,973	\$14,335	₱641,021	\$9,674	\$2,978	\$12,652	₱561,692
Due from other banks	328,267	23,670	351,937	15,738,635	482,367	17,507	499,874	22,191,914
Financial assets at FVPL	14,994	1,354	16,348	731,071	50,347	1,422	51,769	2,298,297
AFS financial assets	316,732	1,277	318,009	14,221,324	352,368	1,497	353,865	15,676,194
HTM financial assets	265,450	3,187	268,637	12,013,432	269,465	3,597	273,062	12,122,589
Loans and receivables	904,055	730	904,785	40,461,999	917,188	4,271	921,459	40,908,151
Accrued interest receivable	15,447	286	15,733	703,616	17,852	322	18,174	806,848
Other assets	54,187	11	54,198	2,452,322	233	2	235	10,436
	1,910,494	33,488	1,943,982	86,963,420	2,099,494	31,596	2,131,090	94,576,121
Liabilities								
Deposit liabilities	\$1,614,063	\$18,601	\$1,632,664	₱73,012,742	\$1,586,248	\$12,133	\$1,598,381	₱70,960,118
Bills payables	115,506	—	115,506	5,165,440	186,293	—	186,293	8,270,476
Accrued interest and other expenses	2,756	11	2,767	123,776	17,852	9	17,861	112,118
Other liabilities	61,571	743	62,314	2,786,707	233	2,142	2,375	1,105,154
	1,793,896	19,355	1,813,251	81,088,665	1,790,626	14,284	1,804,910	80,447,866
Currency spot	6,000	—	6,000	268,045	16,876	(1,376)	15,500	688,258
Currency forwards	(132,295)	(2,000)	(134,295)	(6,192,153)	(337,720)	—	(337,720)	(15,338,006)
Net Exposure	(\$9,697)	\$12,133	\$2,436	(₱49,353)	(\$11,976)	\$15,936	\$3,960	(₱521,493)

	Parent Company							
	2014				2013			
	USD	Other Currencies	Total	PHP	USD	Other Currencies	Total	PHP
Assets								
Cash and other cash items	\$10,692	\$2,973	\$13,665	₱611,049	\$9,631	\$2,978	\$12,609	₱559,788
Due from other banks	310,161	23,670	333,831	14,928,926	477,207	17,507	494,714	21,962,833
Financial assets at FVPL	11,991	1,354	13,345	596,784	50,347	1,422	51,769	2,298,297
AFS financial assets	309,739	1,277	311,016	13,908,615	344,757	1,497	346,254	15,338,314
HTM financial assets	250,699	3,187	253,886	11,353,788	269,465	3,597	273,062	12,122,589
Loans and receivables	888,738	730	889,468	39,777,016	917,188	4,271	921,459	40,908,151
Accrued interest receivable	14,963	286	15,249	681,963	17,651	322	17,973	797,932
Other assets	54,122	11	54,133	2,449,398	233	2	235	10,436
	1,851,105	33,488	1,884,593	84,307,539	2,086,479	31,596	2,118,075	93,998,340
Liabilities								
Deposit liabilities	1,564,418	18,601	1,583,019	70,792,606	1,575,121	12,133	1,587,254	70,466,129
Bills payables	115,506	—	115,506	5,165,440	186,293	—	186,293	8,270,476
Accrued interest and other expenses	2,698	11	2,709	121,169	2,498	9	2,507	111,301
Other liabilities	58,786	743	59,529	2,662,132	22,757	2,142	24,899	1,105,113
	1,741,408	19,355	1,760,763	78,741,347	1,786,669	14,284	1,800,953	79,953,019
Currency spot	6,000	—	6,000	268,045	16,876	(1,376)	15,500	688,258
Currency forwards	(132,295)	(2,000)	(134,295)	(6,192,153)	(337,720)	—	(337,720)	(15,338,006)
Net Exposure	(\$16,598)	\$12,133	(\$4,465)	(₱357,916)	(\$21,034)	\$15,936	(\$5,098)	(₱604,427)



The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the US\$ exchange rate and other currencies per Philippine peso on the pre-tax income and equity (in millions).

Consolidated			
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity
2014			
USD	2%	₱13	₱296
Other	1%	1	1
USD	(2%)	(13)	(296)
Other	(1%)	(1)	(1)
2013			
USD	2%	₱49	₱361
Other	1%	1	1
USD	(2%)	(49)	(361)
Other	(1%)	(1)	(1)
Parent Company			
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity
2014			
USD	2%	₱11	₱287
Other	1%	1	1
USD	(2%)	(11)	(287)
Other	(1%)	(1)	(1)
2013			
USD	2%	₱49	₱354
Other	1%	1	1
USD	(2%)	(49)	(354)
Other	(1%)	(1)	(1)

The impact in pre-tax income and equity is due to the effect of foreign currency behaviour to Philippine peso.

Equity Price Risk

Equity price risk is the risk that the fair values of equities change as a result of movements in both the level of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.



The effect on the Group and Parent Company's equity as a result of a change in the fair value of equity instruments held as AFS due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (in millions):

	Consolidated	
	Change in equity index	Effect on Equity
2014	+10%	₱23.6
	-10%	0.4
2013	+10%	₱11.1
	-10%	(6.9)
	Parent Company	
	Change in equity index	Effect on Equity
2014	+10%	₱23.6
	-10%	0.4
2013	+10%	₱11.1
	-10%	(6.9)

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The table below shows the maturity profile of the Parent Company's assets and liabilities, based on contractual undiscounted cash flows:

	December 31, 2014					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
	(In Millions)					
Financial Assets						
Cash and other cash items	₱9,295	₱—	₱—	₱—	₱—	₱9,295
Due from BSP	60,544	—	—	—	—	60,544
Due from other banks	15,837	—	—	—	—	15,837
Financial assets at FVPL	—	342	1,797	5,154	3,634	10,927
AFS financial assets	—	2,444	3,922	2,462	50,165	58,993
Loans and receivables	—	130,977	20,509	15,847	124,264	291,597
	85,676	133,763	26,228	23,463	178,063	447,193
Financial Liabilities						
Deposit liabilities						
Demand	88,943	—	—	—	—	88,943
Savings	—	86,960	—	—	—	86,960
Time	—	158,414	3,097	1,193	3,917	166,621
Bills payable	—	2,993	2,345	—	9	5,347
Manager’s checks	—	822	—	—	—	822
Accrued interest and other expenses	—	1,276	—	—	—	1,276
Derivative liabilities	—	102	—	—	—	102



December 31, 2014						
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Other liabilities:						
Accounts payable	P–	P976	P–	P–	P–	P976
Acceptances payable	–	334	–	–	–	334
Due to PDIC	–	334	–	–	–	334
Margin deposits	–	3	–	–	–	3
Miscellaneous	–	641	–	–	–	641
Total liabilities	88,943	252,855	5,442	1,193	3,926	352,359
Net Position	(P3,267)	(P119,092)	P20,786	P22,270	P174,137	P94,834

December 31, 2013						
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
(In Millions)						
Financial Assets						
Cash and other cash items	P7,035	P–	P–	P–	P–	P7,035
Due from BSP	75,678	–	–	–	–	75,678
Due from other banks	23,216	–	–	–	–	23,216
Financial assets at FVPL	–	369	282	546	10,516	11,713
AFS financial assets	–	2,623	2,598	3,728	50,387	59,336
Loans and receivables	–	107,116	18,441	13,947	90,351	229,855
	105,929	110,108	21,321	18,221	151,254	406,833
Financial Liabilities						
Deposit liabilities						
Demand	75,633	–	–	–	–	75,633
Savings	–	68,897	–	–	–	68,897
Time	–	188,947	303	3,129	4,591	196,970
Bills payable	–	4,019	2,108	2,337	12	8,476
Manager's checks	–	704	–	–	–	704
Accrued interest and other expenses	–	1,446	–	–	–	1,446
Derivative liabilities	–	155	–	–	–	155
Other liabilities:						
Accounts payable	–	618	–	–	–	618
Acceptances payable	–	955	–	–	–	955
Due to PDIC	–	317	–	–	–	317
Margin deposits	–	1	–	–	–	1
Miscellaneous	–	979	–	–	–	979
Total liabilities	75,633	267,038	2,411	5,466	4,603	355,151
Net Position	P30,296	(P156,930)	P18,910	P12,755	P146,651	P51,682

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, internal liquidity ratios and monitoring of large funds providers have been set to determine sufficiency of liquid assets over deposit liabilities. Liquidity is managed by the Parent and subsidiaries on a daily basis, while scenario stress tests are conducted periodically.

7. Due From BSP and Other Banks

Due from BSP

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Demand deposit account	P57,088,508,431	P49,018,604,183	P52,514,038,321	P48,179,783,709
Special deposit account	10,315,000,000	29,851,000,000	7,990,000,000	27,400,000,000
Others	48,139,452	98,528,339	39,828,361	98,528,339
	P67,451,647,883	P78,968,132,522	P60,543,866,682	P75,678,312,048



Due from Other Banks

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Foreign banks	₱14,716,454,106	₱15,159,212,398	₱14,697,130,578	₱14,718,331,172
Local banks	2,836,369,116	8,726,325,730	1,139,570,475	8,497,244,185
	₱17,552,823,222	₱23,885,538,128	₱15,836,701,053	₱23,215,575,357

Interest Income on Due from BSP and Other Banks

This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Due from BSP	₱554,801,647	₱450,734,237	₱221,122,736	₱432,702,705	₱396,819,129	₱173,411,222
Due from other banks	146,340,197	31,002,663	33,888,463	32,386,669	11,330,829	15,141,468
	₱701,141,844	₱481,736,900	₱255,011,199	₱465,089,374	₱408,149,958	₱188,552,690

8. Trading and Investment Securities

Financial assets at FVPL

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Held for trading:				
Treasury notes	₱2,310,085,369	₱1,885,968,182	₱1,992,773,785	₱1,885,968,182
Government bonds	924,848,187	2,289,626,987	813,896,371	2,289,626,987
Private bonds and commercial papers	997,631,752	893,905,336	997,631,752	893,905,336
Treasury bills	71,826	–	71,826	–
	4,232,637,134	5,069,500,505	3,804,373,734	5,069,500,505
Financial asset designated at FVPL	3,918,504,492	4,856,408,376	3,918,504,492	4,856,408,376
Derivative assets (Note 24)	289,557,062	495,514,172	289,557,062	495,514,172
Total	₱8,440,698,688	₱10,421,423,053	₱8,012,435,288	₱10,421,423,053

Financial assets designated at FVPL pertain to the Parent Company's investments in preferred shares. The preferred shares are redeemable at the option of the issuer, at a price equivalent to the issue price of ₱75.00 per share plus cumulative and unpaid dividend, starting on the third anniversary from the listing date (September 28, 2012) or any dividend payment date thereafter.

The preferred shares also contain dividend rate step-up which is the higher of the dividend rate of 7.50% or the 10-year PDST-F plus 300 bps. The dividend rate step-up will apply if the issuer does not redeem the preferred shares on the fifth year of issuance.

The preferred shares have an embedded derivative in the form of an optional redemption feature, which is deemed not clearly and closely related to its equity host. In this regard, PAS 39 provides that if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid contract at FVPL unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited. On this basis, management has determined that the preferred shares shall be designated as at FVPL.



As of December 31, 2014 and 2013, HFT securities include fair value loss of ₱17.62 million and ₱39.92 million, respectively, for the Group, and fair value loss of ₱17.64 million and ₱39.92 million, respectively, for the Parent Company. Both realized and unrealized gains and losses on HFT and financial assets designated at FVPL are included under 'Trading and securities gain - net' (Note 20).

Effective interest rates for peso-denominated financial assets at FVPL range from 1.63% to 13.75% in 2014 and 2013, and from 4.63% to 13.75% in 2012. Effective interest rates for foreign currency-denominated financial assets at FVPL range from 2.75% to 10.63% in 2014, from 1.25% to 10.63% in 2013, and from 2.75% to 10.63% in 2012.

AFS financial assets

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Quoted:				
Government bonds (Notes 17 and 27)	₱35,484,049,272	₱39,635,113,012	₱34,253,419,890	₱38,658,871,304
Private bonds	2,277,687,388	3,555,275,367	2,123,877,887	3,394,861,168
Equities	150,123,537	150,459,385	149,358,344	143,418,541
	37,911,860,197	43,340,847,764	36,526,656,121	42,197,151,013
Unquoted:				
Private bonds and commercial papers - net	529,169,134	979,626,875	529,169,134	979,626,875
Equities - net *	35,822,981	28,782,136	19,412,705	19,412,705
	564,992,115	1,008,409,011	548,581,839	999,039,580
Total	₱38,476,852,312	₱44,349,256,775	₱37,075,237,960	₱43,196,190,593

* Includes fully impaired equity investments with acquisition cost of ₱38.74 million for the Group and ₱6.32 million for the Parent Company as of December 31, 2014 and ₱38.74 million for the Group and ₱6.32 million for the Parent Company as of December 31, 2013.

Unquoted equity securities

This account comprises of shares of stocks of private corporations that are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Group intends to hold them for the long term.

Net unrealized gains (losses)

AFS financial assets include fair value gains of ₱122.92 million and ₱114.50 million for the Group and Parent Company, respectively, as of December 31, 2014, and fair value losses of ₱79.26 million and ₱73.86 million for the Group and Parent Company, respectively, as of December 31, 2013. The fair value gains or losses are recognized under OCI. The deferred tax liabilities recognized on net unrealized gains amounted to ₱1.17 million as of December 31, 2014 and 2013 for both the Group and Parent Company. Impairment loss on AFS financial assets which was charged to operations amounted to ₱5.13 million in 2012. No impairment loss was recognized in 2014 and 2013.

Effective interest rates for peso-denominated AFS financial assets range from 1.63% to 8.92% in 2014 and 2013, and from 1.75% to 8.92% in 2012. Effective interest rates for foreign currency-denominated AFS financial assets range from 1.50% to 5.71% in 2014, from 1.30% to 7.79% in 2013, and from 1.23% to 7.79% in 2012.



HTM financial assets

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Government bonds (Note 17)	₱11,662,921,811	₱11,713,844,329	₱10,940,806,811	₱11,685,809,329
Private bonds	361,561,200	358,933,575	361,561,200	358,933,575
	12,024,483,011	12,072,777,904	11,302,368,011	12,044,742,904
Unamortized premium – net	84,860,593	77,768,925	51,419,816	77,846,309
	₱12,109,343,604	₱12,150,546,829	₱11,353,787,827	₱12,122,589,213

Effective interest rates for peso-denominated HTM financial assets range from 4.13% to 9.13% in 2014, and from 6.00% to 7.50% in 2013 and 2012.

Effective interest rates for foreign currency-denominated HTM financial assets range from 4.61% to 11.55% in 2014, from 2.36% to 11.55% in 2013, and from 0.96% to 11.55% in 2012.

Reclassification of Financial Assets

In 2008, as approved by its BOD, the Parent Company identified assets for which it had a clear change of intent to hold the investments to maturity rather than to exit or trade these investments in the foreseeable future and reclassified those investments from AFS financial assets to HTM financial assets effective October 2, 2008.

As of October 2, 2008, the total carrying value of AFS financial assets reclassified to HTM financial assets amounted to ₱9.04 billion, with unrealized losses of ₱47.44 million deferred under 'Net unrealized gains (losses) on AFS financial assets'.

HTM financial assets reclassified from AFS financial assets with total face amount of ₱56.35 million and ₱30.41 million matured in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, HTM financial assets reclassified from AFS financial assets have the following balances:

	Face Value	Original Cost	Carrying Value	Fair Value	Unamortized Net Unrealized Gain (Loss) Deferred in Equity	Amortization
(In Thousands)						
2014						
Government bonds*	₱2,454,372	₱2,780,337	₱2,555,197	₱2,842,462	₱4,952	(₱27,413)
Private bonds**	359,549	359,531	353,408	392,555	(6,136)	15,420
	₱2,813,921	₱3,139,868	₱2,908,605	₱3,235,017	(₱1,184)	(₱11,993)
2013						
Government bonds*	₱2,513,659	₱2,826,638	₱2,652,572	₱3,020,586	₱6,800	(₱22,886)
Private bonds**	356,936	356,918	347,865	401,253	(9,064)	12,335
	₱2,870,595	₱3,183,556	₱3,000,437	₱3,421,839	(₱2,264)	(₱10,551)

* Consist of US dollar-denominated bonds with face value of \$51.63 million and \$52.89 million as of December 31, 2014 and 2013, respectively, and euro-denominated bonds with face value of €2.71 million as of December 31, 2014 and 2013

** Consist of US dollar-denominated bonds with face value of \$8.04 million



Had these securities not been reclassified to HTM financial assets, additional mark-to-market gain that would have been credited to the statement of comprehensive income amounted to ₱324.67 million, ₱421.40 million and ₱581.14 million in 2014, 2013 and 2012, respectively. Effective interest rates on the reclassified securities range from 5.51% to 8.99%. The Parent Company expects to recover 100.00% of the principal and interest due on the reclassified investments totaling ₱3.15 billion and ₱3.72 billion, as of December 31, 2014 and 2013, respectively. No impairment loss was recognized on these securities in 2014, 2013 and 2012.

Interest Income on Trading and Investment Securities

This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Financial assets at FVPL	₱277,144,235	₱352,133,595	₱298,948,370	₱239,536,739	₱352,133,595	₱298,948,370
AFS financial assets	1,776,157,142	1,811,974,578	2,078,764,841	1,683,204,791	1,744,705,222	1,818,703,205
HTM financial assets	968,484,791	1,063,232,965	996,120,825	949,382,362	1,061,457,141	1,179,913,311
	₱3,021,786,168	₱3,227,341,138	₱3,373,834,036	₱2,872,123,892	₱3,158,295,958	₱3,297,564,886

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Loans and discounts				
Corporate and commercial lending	₱239,200,179,292	₱185,896,772,212	₱210,939,349,995	₱181,966,719,789
Consumer lending	43,497,555,315	29,882,950,411	27,680,871,403	23,622,741,057
Trade-related lending	14,669,504,068	11,778,365,236	13,024,243,593	11,778,365,236
Others	283,458,964	100,295,865	80,807,228	90,104,852
	297,650,697,639	227,658,383,724	251,725,272,219	217,457,930,934
Unearned discounts	(497,418,129)	(484,400,529)	(242,962,903)	(378,681,663)
	297,153,279,510	227,173,983,195	251,482,309,316	217,079,249,271
Allowance for impairment and credit losses (Note 15)	(6,734,549,993)	(6,633,080,280)	(6,225,088,446)	(6,316,979,860)
	₱290,418,729,517	₱220,540,902,915	₱245,257,220,870	₱210,762,269,411

The Group's and Parent Company's loans and discounts under corporate lending include unquoted debt securities with carrying amount of ₱1.72 billion and ₱1.00 billion as of December 31, 2014, respectively, and ₱2.38 billion and ₱2.04 billion as of December 31, 2013, respectively.

Outstanding loans of the Group and the Parent Company amounting to ₱1.30 billion and ₱14.45 million, respectively in 2014 and ₱54.44 million in 2013, are funded by relending facilities with local government agencies (Note 17).

The separate valuation allowance of acquired loans and receivables from Unity Bank and PDB were not recognized by the Group on the effectivity date of acquisition as these receivables were measured at fair value on acquisition date. Any uncertainties about future cash flows of these receivables were included in their fair value measurement (Note 10).



BSP Reporting

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated				Parent Company			
	2014		2013		2014		2013	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Loans secured by:								
Real estate	P55,764,189,196	18.74	P34,238,716,703	15.04	P32,491,766,254	12.91	P31,636,943,961	14.55
Chattel mortgage	22,998,122,334	7.73	20,072,559,602	8.82	17,024,832,889	6.76	17,924,950,148	8.24
Deposit hold out	5,948,019,845	2.00	3,173,880,795	1.39	3,537,857,796	1.41	3,137,272,126	1.44
Shares of stock of other banks (Note 28)	3,492,000,000	1.17	2,942,000,000	1.29	3,492,000,000	1.39	2,942,000,000	1.35
Others	53,382,116,639	17.93	46,891,567,995	20.60	52,426,565,415	20.82	46,891,567,995	21.57
	141,584,448,014	47.57	107,318,725,095	47.14	108,973,022,354	43.29	102,532,734,230	47.15
Unsecured loans	156,066,249,625	52.43	120,339,658,629	52.86	142,752,249,865	56.71	114,925,196,704	52.85
	P297,650,697,639	100.00	P227,658,383,724	100.00	P251,725,272,219	100.00	P217,457,930,934	100.00

Information on the concentration of credit as to industry of the Group and Parent Company follows:

	Consolidated			
	2014		2013	
	Amounts	%	Amounts	%
Real estate, renting and business services	P69,241,216,408	23.26	P60,230,149,588	26.46
Wholesale and retail trade	36,917,309,884	12.40	34,434,621,617	15.13
Manufacturing	38,152,285,844	12.82	32,723,302,187	14.37
Financial intermediaries	21,817,761,342	7.33	19,509,696,732	8.57
Transportation, storage and communication	21,267,210,137	7.14	18,728,510,372	8.23
Electricity, gas and water	20,036,403,765	6.73	13,361,046,785	5.87
Construction	6,813,144,801	2.29	6,074,279,567	2.67
Agriculture	10,297,106,981	3.46	4,174,326,839	1.83
Mining and quarrying	1,504,773,694	0.51	803,749,446	0.35
Others	71,603,484,783	24.06	37,618,700,591	16.52
	P297,650,697,639	100.00	P227,658,383,724	100.00

	Parent Company			
	2014		2013	
	Amounts	%	Amounts	%
Real estate, renting and business services	P57,121,203,839	22.69	P56,569,557,306	26.01
Wholesale and retail trade	35,066,880,762	13.93	33,660,321,224	15.48
Manufacturing	35,051,788,183	13.92	32,678,273,990	15.03
Financial intermediaries	21,461,779,862	8.53	18,716,522,416	8.61
Transportation, storage and communication	17,599,794,434	6.99	18,424,306,894	8.47
Electricity, gas and water	18,897,358,558	7.51	13,360,581,687	6.14
Construction	4,912,030,663	1.95	5,962,632,897	2.74
Agriculture	3,997,277,688	1.59	4,163,167,175	1.92
Mining and quarrying	1,504,081,969	0.60	802,688,379	0.37
Others	56,113,076,261	22.29	33,119,878,966	15.23
	P251,725,272,219	100.00	P217,457,930,934	100.00

The BSP considers that loan concentration exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. As of December 31, 2014 and 2013, the Group does not have credit concentration in any particular industry.



As of December 31, 2014 and 2013, secured and unsecured non-performing loans (NPLs) of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Secured	₱3,523,173,098	₱2,370,944,220	₱1,925,863,888	₱2,055,920,376
Unsecured	3,128,196,391	2,152,985,178	2,030,453,804	2,062,015,314
	₱6,651,369,489	₱4,523,929,398	₱3,956,317,692	₱4,117,935,690

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Effective January 1, 2013, the exclusion of NPLs classified as loss but are fully covered by allowance was removed by the BSP through Circular No. 772. Previous banking regulations allow banks that have no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

Based on the revised definition of NPL under Circular No. 772, gross and net NPLs of the Parent Company as reported to BSP amounted to ₱3.96 billion and ₱0.46 billion, respectively, in 2014 and ₱4.12 billion and ₱0.25 billion, respectively, in 2013. Gross and net NPL ratios of the Parent Company are 1.58% and 0.18%, respectively, in 2014 and 1.92% and 0.12%, respectively, in 2013.

Interest Income on Loans and Receivables

This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Receivables from customers	₱14,515,093,271	₱10,190,948,886	₱9,282,451,833	₱11,158,515,210	₱9,570,641,726	₱9,027,939,294
Unquoted debt securities	159,117,858	181,126,556	239,572,613	136,900,797	158,864,665	217,356,122
	₱14,674,211,129	₱10,372,075,442	₱9,522,024,446	₱11,295,416,007	₱9,729,506,391	₱9,245,295,416



As of December 31, 2014 and 2013, 67.75% and 72.82%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2014 and 2013, 79.01% and 77.21%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 0.98% to 10.50% in 2014, from 1.95% to 10.65% in 2013, and from 1.25% to 29.00% in 2012 for foreign currency-denominated receivables and from 1.25% to 29.00% in 2014, from 1.00% to 23.38% in 2013, and from 4.25% to 30.00% in 2012 for peso-denominated receivables.

10. Equity Investments

The Parent Company's investments consist of:

	2014	2013
Subsidiaries:		
CBSI (Note 13)	₱2,986,310,787	₱1,473,810,787
PDB (Note 13)	2,976,700,038	—
CBC Forex Corporation	50,000,000	50,000,000
CBC-PCCI	2,439,000	2,439,000
CIBI	1,500,000	1,500,000
Unity Bank	—	400,000,000
	6,016,949,825	1,927,749,787
Associate:		
Manulife China Bank Life Assurance Corporation (MCB Life)	166,273,454	21,245,838
	₱6,183,223,279	₱1,948,995,625

The foregoing balances represent the acquisition cost of the Parent Company's subsidiaries and associate.

CBSI

Cost of investment includes the original amount incurred by the Parent Company from its acquisition of CBSI in 2007 amounting to ₱1.07 billion (net of goodwill and branch licenses transferred to the Parent Company amounting to ₱0.66 million) and additional acquisition of non-controlling interest in 2013 of ₱0.20 million. The additional acquisition brought up the Parent Company's interest in CBSI to 95.25% as of December 31, 2013.

On March 5, 2014, the BOD of the Parent Company approved the capital infusion to CBSI of up to ₱800.00 million in tranches as may be considered necessary to support CBSI's planned business growth and expansion and to enable CBSI to meet the minimum capital requirement under Basel III.

On September 3, 2014, the BOD of the Parent Company approved the capital infusion to CBSI amounting to ₱312.50 million in line with subsidiary's application for a ₱5.00 billion increase in authorized capital stock. The amount infused represents the required payment, which is 25.00% of the 25.00% minimum capital which the Parent Company shall subscribe.

The aggregate capital infusion amounting to ₱1.11 billion brought up the Parent Company's interest in CBSI to 98.00% as of December 31, 2014.



Merger of CBSI with Unity Bank

The BOD of CBSI, in its meeting held last June 6, 2013, approved the proposed merger with Unity Bank. The terms of the Plan of Merger of CBSI with Unity Bank were approved by CBSI's stockholders in their meeting held on July 18, 2013.

On November 22, 2013, the Monetary Board (MB), in its Resolution No. 1949, approved the Plan of Merger and Articles of Merger of CBSI and Unity Bank subject to certain conditions.

On January 20, 2014, CBSI obtained SEC's approval of its merger with Unity Bank. The merger was effected via a share-for-share exchange, with CBSI as the surviving entity.

In 2012, the acquisition of Unity Bank resulted in recognition of gain on bargain purchase amounting to ₱165.89 million, included under 'Miscellaneous income' in the statements of income.

Acquisition of PDB

On September 18, 2013, the BOD of the Parent Company approved the Parent Company's acquisition of at least 66.67% of the outstanding subscribed capital stock of PDB. On the same date, the Parent Company, the PDB Shareholders, and PDB entered into a memorandum of agreement (MOA) wherein the PDB Shareholders agreed to sell their shares in PDB representing at least 66.67% of the total outstanding capital stock of PDB to the Parent Company.

On December 18, 2013, the Parent Company and the selling PDB Shareholders executed the Share Purchase Agreement (SPA) for the acquisition of the latter's 84.77% equity interest in PDB in exchange for cash consideration. The SPA includes closing conditions and activities to be fulfilled by both the Parent Company and the selling PDB Shareholders on or before the Closing Date defined under the SPA.

Also on December 18, 2013, the Parent Company obtained from the MB of the BSP the approval-in-principle of the merger between PDB with either the Parent Company or CBSI within three years from the date of MB approval (December 13, 2013), the first stage of which is the acquisition by the Parent Company of 84.77% of the outstanding subscribed capital stock of PDB. The Parent Company obtained the final approval of the acquisition from the MB on May 23, 2014.

On January 15, 2014, the Closing Date, the Parent Company acquired majority of PDB's outstanding subscribed capital stock in exchange for a cash consideration. The following significant closing conditions of the SPA were also carried out:

- a) Execution of the deeds of absolute sale of shares in favor of the Parent Company, evidencing the sale, assignment, transfer, and conveyance by majority of the selling PDB shareholders of the relevant sale shares;
- b) Resignation of each of the original members of the BOD of PDB; and
- c) Election/re-election of the new members of the BOD of PDB, majority of which are members of the BOD of the Group.

Accordingly, on January 15, 2014, the Parent Company obtained control over PDB.

On January 17, 2014, the Parent Company remitted cash amounting to ₱1.30 billion to PDB which was converted to PDB common shares as an additional capital infusion.

On various dates in 2014, the Parent Company made tender offers to non-controlling stockholders of PDB. As of December 31, 2014, the Parent Company owns 99.85% and 100.00% of PDB's outstanding common and preferred stocks, respectively.



The Parent Company's cost of investment in PDB consists of:

Acquisitions pursuant to the SPA	₱1,421,345,978
Additional capital infusion	1,300,000,000
Tender offers	255,354,060
	<u>₱2,976,700,038</u>

Of this total cost of investment, the consideration transferred for the acquisition of PDB follows:

Acquisitions pursuant to the SPA	₱1,421,345,978
Tender offers	255,354,060
	<u>₱1,676,700,038</u>

The amounts recognized as of January 15, 2014 for each major class of PDB's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash and other cash items	₱494,668,957
Due from BSP	3,577,555,456
Due from other banks	1,656,392,757
Financial assets at FVPL	3,814,777,937
AFS financial assets	52,565,694
HTM financial assets	66,171,345
Loans and receivables	34,146,744,005
Accrued interest receivable	387,443,769
Investment in subsidiaries and associates	221,234,211
Bank premises, furniture, fixtures and equipment (Note 11)	1,014,821,636
Investment properties (Note 12)	3,083,730,560
Branch licenses (Note 13)	289,500,000
Other assets	354,547,080
Total assets	<u>49,160,153,407</u>
Liabilities	
Deposit liabilities	
Demand	7,057,104,264
Savings	5,628,037,794
Time	31,884,793,547
	<u>44,569,935,605</u>
Bills payable	1,871,684,889
Manager's checks	172,254,572
Accrued interest and other expenses	433,636,907
Deferred tax liability	442,778,621
Subordinated debt	1,775,616,780
Other liabilities	396,344,083
Total liabilities	<u>49,662,251,457</u>
Net liabilities	<u>₱502,098,050</u>

Acquired receivables as of January 15, 2014 include receivables from customers with fair value of ₱32,407.60 million, sales contracts receivable of ₱955.70 million, unquoted debt securities of ₱931.11 million, and accounts receivable of ₱199.78 million. The gross contractual amounts of these receivables amounted to ₱33,976.70 million, ₱1,012.42 million, ₱931.39 million, and ₱496.49 million, respectively, with estimated probable losses on receivables from customers of ₱1,587.75 million, sales contracts receivable of ₱16.73 million, and accounts receivable of



₱296.71 million. These estimated amounts not expected to be collected were considered in the determination of the fair value of the receivables as of January 15, 2014.

The MB granted the Parent Company with incentives allowed under the Strengthening Program for Rural Bank (SPRB) Plus Framework. The incentives which are in the form of waiver of special branch licensing fees consist of:

Thirty (30) new branches in restricted areas	₱600,000,000
Thirty-five (35) branches to be transferred from unrestricted to restricted areas	700,000,000
	<hr/>
	1,300,000,000
Deferred tax liability	390,000,000
	<hr/>
	₱910,000,000

Goodwill from acquisition is computed as follows:

Consideration transferred	₱1,676,700,038
Less: Fair value of identifiable assets and liabilities acquired	
Net liabilities of PDB	(₱502,098,050)
BSP incentives, net of deferred tax liability (Note 13)	910,000,000
	407,901,950
	<hr/>
	₱1,268,798,088

As of December 31, 2014, the Parent Company is currently awaiting for the remaining acquisition-related requests and approvals, the result of which may entail changes to the fair value of identifiable assets and liabilities acquired and the resulting goodwill. The Parent Company will update these amounts, if necessary, once the outcome is finalized.

Acquisition-related costs amounting to ₱6.39 million are included under various operating expenses in the statements of income.

Since the acquisition date, the amounts of revenue and net losses of PDB included in the consolidated statement of income for the year ended December 31, 2014 amounted to ₱2.78 billion and ₱266.93 million, respectively.

Had the acquisition of PDB occurred at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2014 would have increased by ₱215.24 million and decreased by ₱158.32 million, respectively.

Cash flow on acquisition follows:

Cash and cash equivalents acquired from PDB*	₱5,728,617,170
Cash paid	1,676,700,038
Net cash inflow	<hr/>
	₱4,051,917,132

* Includes Cash and other cash items, Due from BSP and Due from other banks.



Investment in associates

Investment in associates in the consolidated financial statements pertain to the Parent Company's investment in MCB Life and CBC-PCCI's investment in Urban Shelters (accounted for by CBC-PCCI in its financial statements as an investment in an associate) which is carried at nil amount as of December 31, 2014 and 2013.

In 2014, the Group agreed to sell, transfer, and convey its investments in PDB Properties, Inc. and PDB Insurance Agency, Inc. to a former significant investor. The sale was duly approved by the PDB's BOD and duly reported to the BSP. The Group recognized gain on the sale transaction amounting to ₱64.56 million included under "Miscellaneous income" (Note 20).

In 2014, the Group's share in net losses, other comprehensive losses and total comprehensive losses of its associates amounted to ₱0.91 million, ₱3.78 million and ₱4.69 million, respectively. In 2013, the equity in net earnings of these associates is not significant to the Group.

MCB Life

On August 2, 2006, the BOD approved the joint project proposal of the Parent Company with Manufacturers Life Insurance Company (Manulife). Under the proposal, the Parent Company will invest in a life insurance company owned by Manulife, and such company will be offering innovative insurance and financial products for health, wealth and education through the Parent Company's branches nationwide. The life insurance company was incorporated as The Pramerica Life Insurance Company Inc. in 1998 but the name was changed to Manulife China Bank Life Assurance Corporation on March 23, 2007. The Parent Company acquired 5.00% interest of MCB Life on August 8, 2007. This investment is accounted for as an investment in an associate by virtue of the Bancassurance Alliance Agreement which provides the Parent Company to be represented in MCB Life's BOD and, thus, exercise significant influence over the latter.

The BSP requires the Parent Company to maintain a minimum of 5% ownership over MCB Life in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

On September 12, 2014, the BSP approved the request of the Parent Company to raise its capital investment in MCB Life from 5.00% to 40.00% of its authorized capital through purchase of 1.750 million common shares. The transaction resulted in a gain amounting to ₱373.30 million included under "Miscellaneous income" (Note 20).

Commission income earned by the Parent Company from its bancassurance agreement amounting to ₱277.14 million, ₱294.80 million and ₱214.57 million in 2014, 2013 and 2012, respectively, is included under 'Miscellaneous income' in the consolidated statements of income (Note 20).



11. Bank Premises, Furniture, Fixtures and Equipment

The composition of and movements in this account follow:

	Consolidated					2014 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
Cost						
Balance at beginning of year	₱2,471,835,219	₱5,109,524,343	₱1,544,283,303	₱973,243,704	₱388,025,941	₱10,486,912,510
Additions due to business combination (Note 10)	409,059,470	166,849,466	360,228,800	64,511,450	14,172,450	1,014,821,636
Additions	15,697,500	875,030,191	22,508,644	99,286,659	51,380,698	1,063,903,692
Disposals/transfers*	(13,890,000)	(157,526,855)	(7,622,736)	28,751,448	(407,582,062)	(557,870,205)
Balance at end of year	2,882,702,189	5,993,877,145	1,919,398,011	1,165,793,261	45,997,027	12,007,767,633
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	3,905,012,642	749,473,356	547,857,273	–	5,202,343,271
Depreciation and amortization	–	597,035,729	80,174,173	126,499,820	–	803,709,722
Disposals/transfers*	–	(246,268,670)	5,417,050	(10,829,812)	–	(251,681,432)
Balance at end of year	–	4,255,779,701	835,064,579	663,527,281	–	5,754,371,561
Accumulated Impairment (Note 15)						
Balance at beginning of year	–	4,628,835	–	–	–	4,628,835
Reclassification	–	(4,269,133)	2,383,380	–	–	(1,885,753)
Balance at end of year	–	359,702	2,383,380	–	–	2,743,082
Net Book Value at End of Year	₱2,882,702,189	₱1,737,737,742	₱1,081,950,052	₱502,265,980	₱45,997,027	₱6,250,652,990

*Includes transfers to investment properties amounting to ₱372.14 million.

	Consolidated					2013 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
Cost						
Balance at beginning of year	₱2,464,639,930	₱4,615,682,659	₱1,526,411,978	₱853,865,207	₱–	₱9,460,599,774
Additions	–	632,080,471	15,392,179	129,742,485	388,025,941	1,165,241,076
Disposals/transfers*	7,195,289	(138,238,787)	2,479,146	(10,363,988)	–	(138,928,340)
Balance at end of year	2,471,835,219	5,109,524,343	1,544,283,303	973,243,704	388,025,941	10,486,912,510
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	3,583,863,946	651,028,573	470,390,884	–	4,705,283,403
Depreciation and amortization	–	458,386,422	98,452,429	88,688,560	–	645,527,411
Disposals/transfers*	–	(137,237,726)	(7,646)	(11,222,171)	–	(148,467,543)
Balance at end of year	–	3,905,012,642	749,473,356	547,857,273	–	5,202,343,271
Accumulated Impairment (Note 15)						
Balance at beginning of year	–	–	–	–	–	–
Reclassification	–	4,628,835	–	–	–	4,628,835
Balance at end of year	–	4,628,835	–	–	–	4,628,835
Net Book Value at End of Year	₱2,471,835,219	₱1,199,882,866	₱794,809,947	₱425,386,431	₱388,025,941	₱5,279,940,404

*Includes transfers from investment properties amounting to ₱15.44 million.

	Parent Company					2014 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
Cost						
Balance at beginning of year	₱2,321,830,036	₱4,757,901,374	₱1,105,490,685	₱827,864,492	₱388,025,941	₱9,401,112,528
Additions	–	773,105,943	5,843,238	73,936,717	42,388,270	895,274,168
Disposals/transfers*	–	(144,297,788)	(220,461)	7,963,398	(385,119,941)	(521,674,792)
Balance at end of year	2,321,830,036	5,386,709,529	1,111,113,462	909,764,607	45,294,270	9,774,711,904
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	3,733,736,173	417,882,656	523,845,994	–	4,675,464,823
Depreciation and amortization	–	452,723,015	27,038,218	67,552,400	–	547,313,633
Disposals/reclassification	–	(199,142,903)	1,624,498	1,253,215	–	(196,265,190)
Balance at end of year	–	3,987,316,285	446,545,372	592,651,609	–	5,026,513,266
Net Book Value at End of Year	₱2,321,830,036	₱1,399,393,244	₱664,568,090	₱317,112,998	₱45,294,270	₱4,748,198,638

*Includes transfers to investment properties amounting to ₱372.14 million.



	Parent Company					2013 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
Cost						
Balance at beginning of year	₱2,321,830,036	₱4,343,050,069	₱1,099,864,750	₱739,962,496	₱—	₱8,504,707,351
Additions	—	514,451,998	5,625,935	86,432,155	388,025,941	994,536,029
Disposals/transfers	—	(99,600,693)	—	1,469,841	—	(98,130,852)
Balance at end of year	2,321,830,036	4,757,901,374	1,105,490,685	827,864,492	388,025,941	9,401,112,528
Accumulated Depreciation and Amortization						
Balance at beginning of year	—	3,423,135,745	385,123,501	455,588,421	—	4,263,847,667
Depreciation and amortization	—	405,742,449	32,766,801	67,523,136	—	506,032,386
Disposals/reclassification	—	(95,142,021)	(7,646)	734,437	—	(94,415,230)
Balance at end of year	—	3,733,736,173	417,882,656	523,845,994	—	4,675,464,823
Net Book Value at End of Year	₱2,321,830,036	₱1,024,165,201	₱687,608,029	₱304,018,498	₱388,025,941	₱4,725,647,705

The Group adopted the deemed cost model as of January 1, 2004 and considered the carrying value of the land determined under its previous accounting method (revaluation method) as the deemed cost of the asset as of January 1, 2005. Accordingly, revaluation increment amounting to ₱1.28 billion was closed to surplus (Note 22) in 2011.

As of December 31, 2014 and 2013, the gross carrying amount of fully depreciated furniture, fixtures and equipment still in use amounted to ₱2.00 billion and ₱1.71 billion, respectively, for the Group and ₱1.75 billion and ₱1.68 billion, , respectively, for the Parent Company.

In 2012, depreciation and amortization amounting to ₱697.54 million and ₱511.20 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

12. Investment Properties

The composition of and movements in this account follow:

	Consolidated		2014 Total
	Land	Buildings and Improvements	
Cost			
Balance at beginning of year	₱3,275,158,506	₱1,241,340,849	₱4,516,499,355
Additions due to business combination (Note 10)	2,410,795,633	672,934,927	3,083,730,560
Additions	769,853,310	773,170,730	1,543,024,040
Disposals/write-off/transfers*	(1,096,817,029)	(282,776,884)	(1,379,593,913)
Balance at end of year	5,358,990,420	2,404,669,622	7,763,660,042
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	665,642,871	665,642,871
Depreciation and amortization	—	119,489,803	119,489,803
Disposals/write-off/transfers	—	(131,597,523)	(131,597,523)
Balance at end of year	—	653,535,151	653,535,151
Accumulated Impairment Loss (Note 15)			
Balance at beginning of year	1,233,158,800	207,168,192	1,440,326,992
Provisions during the year	18,478,733	37,601,023	56,079,756
Disposals/write-off/reclassification	(159,403,889)	6,300,118	(153,103,771)
Balance at end of year	1,092,233,644	251,069,333	1,343,302,977
Net Book Value at End of Year	₱4,266,756,776	₱1,500,065,138	₱5,766,821,914

*Includes transfers from bank premises amounting to ₱372.14 million.



	Consolidated		2013
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱3,534,381,180	₱1,384,739,653	₱4,919,120,833
Additions	372,157,950	65,350,797	437,508,747
Disposals/write-off/transfers*	(631,380,624)	(208,749,601)	(840,130,225)
Balance at end of year	3,275,158,506	1,241,340,849	4,516,499,355
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	660,649,571	660,649,571
Depreciation and amortization	—	107,358,622	107,358,622
Disposals/write-off/transfers	—	(102,365,322)	(102,365,322)
Balance at end of year	—	665,642,871	665,642,871
Accumulated Impairment Loss (Note 15)			
Balance at beginning of year	1,306,987,244	132,172,378	1,439,159,622
Provisions during the year	—	2,580,829	2,580,829
Disposals/write-off/reclassification	(73,828,444)	72,414,985	(1,413,459)
Balance at end of year	1,233,158,800	207,168,192	1,440,326,992
Net Book Value at End of Year	₱2,041,999,706	₱368,529,786	₱2,410,529,492

*Includes transfers to bank premises amounting to ₱15.44 million.

	Parent Company		2014
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱3,017,440,800	₱1,130,535,238	₱4,147,976,038
Additions	57,867,574	440,387,381	498,254,955
Disposals/write-off/transfers*	(753,419,954)	(188,522,847)	(941,942,801)
Balance at end of year	2,321,888,420	1,382,399,772	3,704,288,192
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	636,785,271	636,785,271
Depreciation and amortization	—	83,263,844	83,263,844
Disposals/write-off/transfers	—	(131,360,473)	(131,360,473)
Balance at end of year	—	588,688,642	588,688,642
Accumulated Impairment Loss (Note 15)			
Balance at beginning of year	1,230,710,193	202,388,566	1,433,098,759
Disposals/write-off/reclassification	(218,862,038)	—	(218,862,038)
Balance at end of year	1,011,848,155	202,388,566	1,214,236,721
Net Book Value at End of Year	₱1,310,040,265	₱591,322,564	₱1,901,362,829

*Includes transfers from bank premises amounting to ₱372.14 million.



	Parent Company		2013
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱3,255,787,462	₱1,232,341,127	₱4,488,128,589
Additions	359,613,722	60,015,237	419,628,959
Disposals/write-off/transfers	(597,960,384)	(161,821,126)	(759,781,510)
Balance at end of year	3,017,440,800	1,130,535,238	4,147,976,038
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	636,022,201	636,022,201
Depreciation and amortization	—	89,714,056	89,714,056
Disposals/write-off	—	(88,950,986)	(88,950,986)
Balance at end of year	—	636,785,271	636,785,271
Accumulated Impairment Loss (Note 15)			
Balance at beginning and end of year	1,230,710,193	202,388,566	1,433,098,759
Net Book Value at End of Year	₱1,786,730,607	₱291,361,401	₱2,078,092,008

The Group's investment properties consist entirely of real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statements of income.

In 2012, depreciation and amortization amounting to ₱127.76 million and ₱109.72 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

Details of rental income earned and direct operating expenses incurred on investment properties follow:

	Consolidated		
	2014	2013	2012
Rent income on investment properties	₱29,167,406	₱13,392,985	₱36,590,737
Direct operating expenses on investment properties generating rent income	21,800,656	6,733,827	5,298,199
Direct operating expenses on investment properties not generating rent income	61,120,558	74,096,497	47,874,641

	Parent Company		
	2014	2013	2012
Rent income on investment properties	₱5,903,380	₱8,833,767	₱16,058,824
Direct operating expenses on investment properties generating rent income	4,174,075	6,733,827	5,298,199
Direct operating expenses on investment properties not generating rent income	43,009,679	71,791,484	41,107,203



Rent income earned from leasing out investment properties is included under ‘Miscellaneous income’ in the statements of income (Note 20).

As of December 31, 2014 and 2013, fair values of investment properties amounted to ₱9.84 billion and ₱6.56 billion, respectively, for the Group and ₱5.73 billion and ₱6.18 billion, respectively, for the Parent Company.

On August 26, 2011, the Parent Company was registered as an Economic Zone Information Technology (IT) Facilities Enterprise with the Philippine Economic Zone Authority (PEZA) to operate and maintain a proposed 17-storey building located inside the CBP-IT Park in Barangays Mabolo, Luz, Hipodromo, Carreta, and Kamputhaw, Cebu City, for lease to PEZA-registered IT enterprises, and to be known as Chinabank Corporate Center. This registration is under PEZA Registration Certificate No. 11-03-F.

Under this registration, the Bank is entitled to five percent (5.00%) final tax on gross income earned from locator IT enterprises and related operations in accordance with existing PEZA rules. The Bank shall also be exempted from the payment of all national and local taxes in relation to this registered activity.

13. Goodwill and Branch Licenses

Goodwill and branch license consist of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Branch licenses	₱2,427,100,000	₱837,600,000	₱455,000,000	₱455,000,000
Goodwill (Note 10)	1,491,639,289	222,841,201	222,841,201	222,841,201

Goodwill

Goodwill represents the excess of the acquisition costs over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Branch Licenses

Branch licenses arose from the acquisitions of CBSI, Unity Bank, and PDB.

	2014	2013
Branch license from CBSI acquisition	₱477,600,000	₱477,600,000
Branch license from Unity Bank acquisition	360,000,000	360,000,000
Branch license from PDB acquisition (Note 10)	1,589,500,000	–
Total	₱2,427,100,000	₱837,600,000

Branch licenses and goodwill in the Parent Company’s balance sheet amounting to ₱455.00 million and ₱222.84 million, respectively, arose from the Parent Company’s acquisition of CBSI in 2007.

The Group attributed the goodwill arising from its acquisition of CBSI and PDB to factors such as increase in geographical presence and customer base due to the branches acquired. None of the goodwill recognized is expected to be deductible for income tax purposes.



The Parent Company's Branch Banking Group (BBG) has been identified as the CGU for impairment testing of the goodwill. The BBG has also been identified as the CGU for impairment testing of the branch licenses.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The discount rate applied to cash flow projections is 9.87% in 2014 and 12.05% in 2013 for the goodwill and branch licenses arising from the acquisition of CBSI and 9.47% in 2014 for the branch licenses arising from the acquisition of Unity Bank. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 1.00% in 2014 and 2013, which does not exceed the long-term average growth rate for the industry.

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Interest margin
- Discount rates
- Market share during the budget period
- Steady growth rate used to extrapolate cash flows beyond the budget period
- Local inflation rates

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill and branch licenses to materially exceed its recoverable amount as of December 31, 2014 and 2013.

14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Financial Assets				
Accounts receivable	₱2,537,642,062	₱2,246,848,092	₱1,727,382,224	₱2,050,625,476
SCR	1,267,562,638	496,495,246	378,169,805	425,543,982
RCOCI	170,538,668	74,677,585	141,196,064	74,677,585
Miscellaneous				
Prepaid expenses	188,933,455	55,472,738	65,951,726	53,293,366
Documentary stamps	119,175,532	65,566,545	78,411,670	65,566,545
Sundry debit	56,156,157	80,689,768	35,551,585	80,689,768
Others	576,367,032	347,215,215	292,959,184	348,381,996
	940,632,176	548,944,266	472,874,165	547,931,675
Total	4,916,375,544	3,366,965,189	2,719,622,258	3,098,778,718
Nonfinancial Assets				
Net plan assets (Note 23)	926,670,675	1,504,128,446	926,670,675	1,502,441,475
Creditable withholding taxes	657,434,121	691,661,831	635,094,492	540,295,445
Miscellaneous	181,181,463	—	—	—
Total	1,765,286,259	2,195,790,277	1,561,765,167	2,042,736,920
	6,681,661,803	5,562,755,466	4,281,387,425	5,141,515,638
Allowance for impairment and credit losses (Note 15)	(706,181,780)	(761,634,930)	(641,658,107)	(743,048,784)
	₱5,975,480,023	₱4,801,120,536	₱3,639,729,318	₱4,398,466,854



Accounts Receivable

As of December 31, 2014 and 2013, about 68.60% and 72.45%, respectively, of the Group's accounts receivable represents final withholding taxes (FWT) imposed by the Bureau of Internal Revenue (BIR) and withheld by the Bureau of Treasury (BTr) from the proceeds collected by the Group upon maturity of the Poverty Eradication and Alleviation Certificates (PEACe) bonds on October 18, 2011.

On October 17, 2011, the Parent Company together with seven other banks filed a joint petition against the BIR's decision to impose 20.00% FWT on PEACe bonds. The high court issued a temporary restraining order in favor of these banks on the same day and ordered these banks to place in escrow an amount equivalent to the disputed withholding tax until final decision is rendered. However, the government withheld the 20.00% FWT from the proceeds of the PEACe bonds and held it in an escrow account with the Land Bank of the Philippines.

On January 13, 2015, the Supreme Court ordered the BTr to release to the bondholders the amount corresponding to the 20.00% FWT.

As discussed in more detail in Note 2, the Parent Company considers several factors in determining whether a financial asset is impaired, including the present value of the expected future cash flows discounted at the asset's original contractual effective rate. As of December 31, 2014 and 2013, the Parent Company, in consultation with its legal counsel, has determined that the said accounts receivable is collectible.

Accounts receivable also includes noninterest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Parent Company from automated teller machine (ATM) transactions of clients of other banks through any of the Parent Company's ATM terminals.

Miscellaneous Assets

Miscellaneous assets - others consist mainly of documentary stamps, unissued stationary and supplies, inter-office float items, security deposits, deposits for various services.

The following tables present the reconciliation of the movement of the allowance for impairment and credit losses on other assets:

	Consolidated			
	Accounts Receivable	SCR	Miscellaneous	Total
At January 1, 2014	₱531,498,853	₱22,195,778	₱207,940,299	₱761,634,930
Provisions during the year (Note 15)	76,642,298	7,925,094	644,457	85,211,849
Transfers/others	(94,725,122)	4,103,164	(50,043,041)	(140,664,999)
At December 31, 2014	₱513,416,029	₱34,224,036	₱158,541,715	₱706,181,780
At January 1, 2013	₱422,083,499	₱14,778,501	₱194,659,551	₱631,521,551
Provisions during the year (Note 15)	99,450,446	2,786,601	1,520,770	103,757,817
Transfers/others	9,964,908	4,630,676	11,759,978	26,355,562
At December 31, 2013	₱531,498,853	₱22,195,778	₱207,940,299	₱761,634,930



	Parent Company			
	Accounts Receivable	SCR	Miscellaneous	Total
At January 1, 2014	₱519,628,309	₱21,759,709	₱201,660,766	₱743,048,784
Provisions during the year (Note 15)	38,363	—	(804,214)	(765,851)
Transfers/others	(59,716,990)	4,049,414	(44,957,250)	(100,624,826)
At December 31, 2014	₱459,949,682	₱25,809,123	₱155,899,302	₱641,658,107
At January 1, 2013	₱410,412,520	₱14,342,432	₱188,979,317	₱613,734,269
Provisions during the year (Note 15)	97,463,494	2,786,601	921,469	101,171,564
Transfers/others	11,752,295	4,630,676	11,759,980	28,142,951
At December 31, 2013	₱519,628,309	₱21,759,709	₱201,660,766	₱743,048,784

15. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Balances at beginning of year:				
Loans and receivables	₱6,633,080,280	₱6,779,450,022	₱6,316,979,860	₱6,566,449,815
Investment properties	1,440,326,992	1,439,159,622	1,433,098,759	1,433,098,759
Accrued interest receivable	97,974,239	81,113,369	97,428,688	80,567,819
AFS financial assets	39,615,494	39,625,921	6,322,971	6,333,398
Bank premises, furniture, fixtures and equipment	4,628,835	—	—	—
Other assets	761,634,930	631,521,551	743,048,784	613,734,269
	8,977,260,770	8,970,870,485	8,596,879,062	8,700,184,060
Provisions charged to operations	440,901,390	414,335,872	100,920,462	278,540,863
Accounts charged off and others	(513,564,735)	(407,945,587)	(531,961,731)	(381,845,861)
	(72,663,345)	6,390,285	(431,041,269)	(103,304,998)
Balances at end of year:				
Loans and receivables (Note 9)	6,734,549,993	6,633,080,280	6,225,088,446	6,316,979,860
Investment properties (Note 12)	1,343,302,977	1,440,326,992	1,214,236,721	1,433,098,759
Accrued interest receivable	79,077,099	97,974,239	78,531,548	97,428,688
AFS financial assets (Note 8)	38,742,494	39,615,494	6,322,971	6,322,971
Bank premises, furniture, fixtures and equipment (Note 11)	2,743,082	4,628,835	—	—
Other assets (Note 14)	706,181,780	761,634,930	641,658,107	743,048,784
	₱8,904,597,425	₱8,977,260,770	₱8,165,837,793	₱8,596,879,062

At the current level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

A reconciliation of the allowance for credit losses on loans and receivables from customers, AFS financial assets and accrued interest receivable follows:

	Consolidated						
	2014						
	Loans and Receivables				AFS Financial Assets		Accrued Interest Receivable
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	
At January 1, 2014	₱5,177,809,362	₱719,544,318	₱735,545,297	₱181,303	₱6,633,080,280	₱39,615,494	₱97,974,239
Provisions (recoveries) during the year	133,069,891	170,117,119	(3,250,530)	(289,011)	299,647,469	—	(37,684)
Transfers/others	(244,814,007)	70,337,419	(23,907,914)	206,746	(198,177,756)	(873,000)	(18,859,456)
At December 31, 2014	₱5,066,065,246	₱959,998,856	₱708,386,853	₱99,038	₱6,734,549,993	₱38,742,494	₱79,077,099
Individual impairment	₱2,486,397,971	₱633,034,766	₱579,649,691	₱99,038	₱3,699,181,466	₱38,742,494	₱79,077,099
Collective impairment	2,579,667,275	326,964,090	128,737,162	—	3,035,368,527	—	—
	₱5,066,065,246	₱959,998,856	₱708,386,853	₱99,038	₱6,734,549,993	₱38,742,494	₱79,077,099



Consolidated							
2013							
	Loans and Receivables					AFS Financial Assets	Accrued Interest
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	Receivable
At January 1, 2013	₱5,724,591,365	₱458,641,413	₱596,055,655	₱161,589	₱6,779,450,022	₱39,625,921	₱81,113,369
Provisions (recoveries) during the year	192,318,066	95,180,719	20,673,784	5,096	308,177,665	–	(180,439)
Transfers/others	(739,100,069)	165,722,186	118,815,858	14,618	(454,547,407)	(10,427)	17,041,309
At December 31, 2013	₱5,177,809,362	₱719,544,318	₱735,545,297	₱181,303	₱6,633,080,280	₱39,615,494	₱97,974,239
Individual impairment	₱3,076,957,279	₱532,039,333	₱699,866,436	₱177,704	₱4,309,040,752	₱39,615,494	₱97,974,239
Collective impairment	2,100,852,083	187,504,985	35,678,861	3,599	2,324,039,528	–	–
	₱5,177,809,362	₱719,544,318	₱735,545,297	₱181,303	₱6,633,080,280	₱39,615,494	₱97,974,239

Parent Company							
2014							
	Loans and Receivables					AFS Financial Assets	Accrued Interest
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	Receivable
At January 1, 2014	₱4,961,518,293	₱619,734,967	₱735,545,297	₱181,303	₱6,316,979,860	₱6,322,971	₱97,428,688
Provisions (recoveries) during the year	104,974,527	–	(3,250,530)	–	101,723,997	–	(37,684)
Transfers/others	(223,658,447)	54,118,343	(23,907,914)	(167,393)	(193,615,411)	–	(18,859,456)
At December 31, 2014	₱4,842,834,373	₱673,853,310	₱708,386,853	₱13,910	₱6,225,088,446	₱6,322,971	₱78,531,548
Individual impairment	₱2,276,277,385	₱420,682,718	₱579,649,691	₱13,910	₱3,276,623,704	₱6,322,971	₱78,531,548
Collective impairment	2,566,556,988	253,170,592	128,737,162	–	2,948,464,742	–	–
	₱4,842,834,373	₱673,853,310	₱708,386,853	₱13,910	₱6,225,088,446	₱6,322,971	₱78,531,548

Parent Company							
2013							
	Loans and Receivables					AFS Financial Assets	Accrued Interest
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	Receivable
At January 1, 2013	₱5,549,707,297	₱420,525,274	₱596,055,655	₱161,589	₱6,566,449,815	₱6,333,398	₱80,567,819
Provisions (recoveries) during the year	139,452,126	17,418,732	20,673,784	5,096	177,549,738	–	(180,439)
Transfers/others	(727,641,130)	181,790,961	118,815,858	14,618	(427,019,693)	(10,427)	17,041,308
At December 31, 2013	₱4,961,518,293	₱619,734,967	₱735,545,297	₱181,303	₱6,316,979,860	₱6,322,971	₱97,428,688
Individual impairment	₱3,039,928,029	₱490,384,594	₱699,866,436	₱177,704	₱4,230,356,763	₱6,322,971	₱97,428,688
Collective impairment	1,921,590,264	129,350,373	35,678,861	3,599	2,086,623,097	–	–
	₱4,961,518,293	₱619,734,967	₱735,545,297	₱181,303	₱6,316,979,860	₱6,322,971	₱97,428,688

16. Deposit Liabilities

As of December 31, 2014 and 2013, 43.80% and 56.50% respectively, of the total deposit liabilities of the Group are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates ranging from 0.13% to 2.75% in 2014, and 0.13% to 8.25% in 2013 and 2012.

On March 29, 2012, BSP Circular No. 753 was issued providing unification of the statutory and liquidity reserve requirement, non-remuneration of the unified reserve requirement, exclusion of cash in vault and demand deposits as eligible forms of reserve requirement compliance, and reduction in the unified reserve requirement ratios. In 2014, the BSP issued Circular No. 830 effective April 11, 2014 increasing the required reserves against deposit liabilities to 19.00%. As of December 31, 2014 and 2013, the Parent Company is in compliance with such regulation.

As of December 31, 2014 and 2013, due from BSP amounting to ₱52.35 billion and ₱48.04 billion, respectively, were set aside as reserves for deposit liabilities per latest report submitted by the Parent Company to the BSP.



17. Bills Payable and Subordinated Debt

Bills Payable

The Group's and the Parent Company's bills payable consist of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Interbank loans payable	₱5,165,439,515	₱8,240,891,256	₱5,165,439,515	₱8,240,891,256
Government lending programs	1,155,140,034	28,718,441	12,161,324	28,718,441
Others	—	29,584,828	—	29,584,828
	₱6,320,579,549	₱8,299,194,525	₱5,177,600,839	₱8,299,194,525

Interbank loans payable consist of the following dollar-denominated borrowings:

Counterparty	Average term	Rates	2014	2013
Citibank N.A. Manila	2.8 years	1.69%	₱2,236,000,015	₱2,219,750,014
Barclays Bank London	2 years	1.40%	2,035,039,500	2,020,249,969
Wells Fargo Miami	30 days	0.92%	894,400,000	—
JP Morgan Chase London	3 months	0.65% to 0.75%	—	4,000,891,273
			₱5,165,439,515	₱8,240,891,256

As of December 31, 2014, the carrying amount of dollar-denominated HTM financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱4.66 billion. The fair value of HTM financial assets pledged as collateral amounted to ₱5.33 billion as of December 31, 2014 (Note 8).

As of December 31, 2013, the carrying amount of dollar-denominated HTM and AFS financial assets pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱6.81 billion and ₱2.54 billion, respectively. The fair value of HTM financial assets pledged as collateral amounted to ₱8.20 billion as of December 31, 2013.

As of December 31, 2014 and 2013, margin deposits amounting to ₱338.10 million and ₱114.33 million, respectively, are deposited with various counterparties to meet the collateral requirements for its interbank bills payable.

Details of the government lending programs follow:

Counterparty	Average term	Rates	Consolidated	
			2014	2013
Land Bank of the Philippines	10 years	4.00% to 8.66%	₱746,143,433	₱1,072,108
Social Security Services	6 years	2.50% to 5.25%	355,202,766	—
Small Business Guaranty and Finance Corporation	4 years	5.00% to 6.50%	40,789,724	—
Development Bank of the Philippines	8 years	4.00% to 8.25%	13,004,111	27,646,333
			₱1,155,140,034	₱28,718,441

Counterparty	Average term	Rates	Parent Company	
			2014	2013
Development Bank of the Philippines	6 years	4.00% to 8.25%	₱11,504,111	₱27,646,333
Land Bank of the Philippines	5 years	5.13%	657,213	1,072,108
			₱12,161,324	₱28,718,441

Loans and receivables of the Group and the Parent Company amounting to ₱1.30 billion and ₱14.45 million, respectively, as of December 31, 2014 and ₱54.44 million as of December 31, 2013, are pledged as collateral for the rediscounting facilities (Note 9). Loans and receivables



pledged as collateral shall be released by the rediscounting institution once the rediscount loan has been fully paid upon maturity. In case a particular loan account pledged as collateral is paid in full by the borrower before it matures, the equivalent discount value shall be paid by the Group to the rediscounting institution before the pledged collateral can be released.

Subordinated Debt

The Group's subordinated debt consists of Tier 2 Notes issued by PDB in 2010 and 2009.

2010 Tier 2 Notes

PDB issued additional unsecured Subordinated Notes (the Notes) due in 2020 qualifying as Upper Tier 2 Capital and Lower Tier 2 Capital in December 2010. The Tier 2 Notes issuance was approved by the BOD of PDB in 2009. Among the significant terms and conditions of the Notes follow:

- Upper Tier 2 Notes - ₱1.03 billion with coupon interest rate of 10.25% p.a.
- Lower Tier 2 Notes - ₱145.00 million with coupon interest rate of 8.75% p.a.

The date of issuance and date of maturity of the Tier 2 Notes issued in 2010 are as follow:

Type	Issue Date	Maturity Date	Principal
Upper Tier 2	8-Feb-10	8-Feb-20	₱400,000,000
	26-Mar-10	26-Mar-20	65,000,000
	26-Apr-10	26-Apr-20	120,000,000
	28-Jul-10	28-Jul-20	445,000,000
			₱1,030,000,000
Type	Issue Date	Maturity Date	Principal
Lower Tier 2	4-Jan-10	4-Jan-20	₱20,000,000
	24-Feb-10	24-Feb-20	20,000,000
	26-Mar-10	26-Mar-20	70,000,000
	26-Apr-10	26-Apr-20	25,000,000
	28-Jul-10	28-Jul-20	10,000,000
			₱145,000,000

The Upper Tier 2 Notes bears interest rate at 10.25% per annum payable semi-annually and will mature in 2020 provided that the Notes are not previously redeemed by PDB in 2015.

The Lower Tier Notes bears interest rate at 8.75% per annum payable semi-annually in arrears. Unless the Lower Tier 2 Notes are previously redeemed, the interest rate from the issuances will be reset at the equivalent of the 5-year PDST-F Benchmark bid yield as displayed on the PDS Treasury Reference Rates (as of the first day of the eleventh interest period) plus 5.62% which shall be payable semi-annually in arrears starting 2015.

2009 Tier 2 Notes

On June 24, 2009, PDB's BOD approved the raising of Upper Tier 2 Notes and Lower Tier 2 Notes through the issuance of private negotiated notes of up to ₱1.50 billion and ₱1.00 billion, respectively, maturing in ten years but callable after five years from issue date.

The issuance of the foregoing Notes under the terms approved by the PDB's BOD was pursuant to the authority given by the BSP to PDB on December 3, 2009.



The Notes will constitute direct, unconditional, unsecured and subordinated obligations of PDB, and will, at all times, rank at an equal rate and without any preference among themselves, and at least equally with all other present and future unsecured and subordinated obligation of PDB. However, claims of Noteholders will enjoy priority over the rights and claims of holders of all classes of equity securities of PDB, including holders of preference shares. Noteholders or their transferees shall not be allowed, and hereby waive their right, to offset any amount that may be due to PDB against the Notes. The Notes, like other subordinated indebtedness of PDB, are subordinated to the claims of depositors and ordinary creditors, are not deposits, and are not guaranteed nor insured by PDB or any party related to PDB, such as its subsidiaries and affiliates, or the Philippine Deposit Insurance Corporation (PDIC), or any other person. The Notes shall not be used as collateral for any loan made by PDB or any of its subsidiaries or affiliates.

Subject to certain regulatory approval requirements, PDB may, after 5 years from issuance date, redeem all and not less than all of the outstanding Notes, at a redemption price equal to the issue price of the Notes together with accrued and unpaid interest based on the interest rate thereon.

In December 2009, PDB issued Unsecured Subordinated Notes due in 2019 qualifying as Upper Tier 2 Capital and Lower Tier 2 Capital. Among the significant terms and conditions of the issuance of the Notes follow:

- Upper Tier 2 Notes - ₱20.00 million with coupon interest rate of 10.25% p.a.
- Lower Tier Notes - ₱505.00 million with coupon interest rate of 8.75% p.a.

The Upper Tier Notes, from (and including) December 8, 2009 to (but excluding) December 8, 2019, bears interest rate at 10.25% per annum payable semi-annually in arrears on June 8 and December 8 of each year, commencing June 8, 2010. The Upper Tier Notes will mature on December 8, 2019 if not redeemed by PDB on December 8, 2014.

The Lower Tier Notes, from (and including) December 8, 2009 to (but excluding) December 8, 2019, bears interest rate at 8.75% per annum payable semi-annually in arrears on June 8 and December 8 of each year, commencing June 8, 2010. Unless the Lower Tier 2 Notes are previously redeemed, the interest rate from (and including) December 9, 2014 to (but excluding) December 8, 2019) will be reset at the equivalent of the 5-year PDST-F Benchmark bid yield as displayed on the PDS Treasury Reference Rates (as of the first day of the eleventh interest period) plus 5.62% which shall be payable semi-annually in arrears on June 8 and December 8 of each year, commencing June 8, 2015. The Lower Tier 2 Notes will mature on December 8, 2019, provided that the Notes are not previously redeemed.

On January 15, 2014, the Parent Company obtained control over PDB, and the latter became a subsidiary of the former. Based on existing regulations applicable to universal and commercial banks, including their subsidiary banks, the Notes of PDB shall no longer be qualified as tier 2 capital in the computation of the capital adequacy ratio (CAR). Given this, PDB sought approval from the BSP to redeem the Notes, which approval was granted on September 18, 2014.

As of December 31, 2014, the face value of Notes redeemed by PDB amounted to ₱0.53 billion. The remaining balance of the Notes shall be redeemed in 2015.

In 2014, PDB is in compliance with the terms and conditions upon which the Notes have been issued.



18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Accrued payable for employee benefits	₱868,629,045	₱752,231,486	₱810,315,611	₱752,231,486
Accrued interest payable	392,364,802	388,391,903	248,738,441	362,063,310
Accrued taxes and other licenses	147,395,062	134,295,387	147,395,062	134,188,984
Accrued lease payable	60,914,579	67,125,802	60,914,579	60,914,579
Accrued other expenses payable	161,445,001	159,880,900	45,111,711	136,222,987
	₱1,630,748,489	₱1,501,925,478	₱1,312,475,404	₱1,445,621,346

19. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Financial liabilities				
Accounts payable	₱1,560,046,220	₱862,260,400	₱975,542,863	₱618,051,235
Due to PDIC	334,448,937	316,812,241	334,448,937	316,812,241
Acceptances payable	334,336,980	954,605,687	334,336,980	954,605,687
Other credits-dormant	191,978,470	188,616,465	191,978,470	188,616,465
Due to the Treasurer of the Philippines	24,629,138	450,277,877	24,629,138	450,277,877
Margin deposits	2,760,646	922,346	2,760,646	922,346
Miscellaneous	780,375,902	281,376,514	251,471,258	193,357,500
Total	3,228,576,293	3,054,871,530	2,115,168,292	2,722,643,351
Nonfinancial liabilities				
Withholding taxes payable	101,459,780	106,024,639	67,750,216	93,734,234
Retirement liabilities (Note 23)	305,773,064	46,535,741	—	—
Total	407,232,844	152,560,380	67,750,216	93,734,234
	₱3,635,809,137	₱3,207,431,910	₱2,182,918,508	₱2,816,377,585

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Miscellaneous liabilities mainly include sundry credits, inter-office float items, and dormant deposit accounts.

20. Other Operating Income and Miscellaneous Expenses

Trading and Securities Gain

This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Financial assets at FVPL:						
Held-for-trading	₱28,504,111	(₱93,904,356)	₱247,651,111	(₱45,421,486)	(₱93,904,356)	₱247,651,111
Designated at FVPL	(40,400,975)	73,749,921	—	(40,400,975)	73,749,921	—
Derivatives assets (Note 24)	3,065,433	(81,352,004)	(33,294,321)	3,065,433	(81,352,004)	(33,294,321)
AFS financial assets	544,094,215	2,006,391,602	2,701,942,417	541,652,784	1,716,314,402	2,572,816,115
	₱535,262,784	₱1,904,885,163	₱2,916,299,207	₱458,895,756	₱1,614,807,963	₱2,787,172,905



Service Charges, Fees and Commissions

Details of this account are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Service and collection charges						
Deposits	₱659,597,106	₱505,554,168	₱591,106,429	₱610,331,799	₱485,209,813	₱578,003,661
Loans	97,683,102	85,299,409	23,839,053	30,743,175	35,839,305	23,527,821
Others	309,495,462	197,757,214	43,193,556	203,196,043	108,482,813	42,294,399
Fees and commissions	495,031,685	367,849,071	388,213,255	376,377,819	374,542,144	305,341,215
	₱1,561,807,355	₱1,156,459,862	₱1,046,352,293	₱1,220,648,836	₱1,004,074,075	₱949,167,096

Miscellaneous Income

Details of this account are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Dividends (Note 8)	₱311,073,334	₱486,381,921	₱9,516,508	₱311,073,334	₱486,381,921	₱9,516,508
Bancassurance (Note 10)	277,138,302	294,797,215	214,571,987	277,138,302	294,797,215	214,571,987
Recovery of charged off assets	93,797,254	293,043	2,518,353	79,255,903	293,043	2,518,353
Rental on bank premises	56,183,492	28,693,424	27,795,805	28,642,376	28,693,424	27,795,805
Fund transfer fees	48,792,310	104,613,783	46,389,926	48,792,310	104,613,783	46,389,926
Late fees	30,835,850	18,842,213	34,928,226	30,835,850	18,842,213	34,928,225
Rental safety deposit boxes	20,016,625	14,479,453	13,783,285	19,385,042	14,479,453	13,783,285
Participation fee	—	32,778,522	32,317,059	—	32,778,522	32,317,059
Miscellaneous income (Notes 10 and 12)	749,314,209	105,095,313	292,122,955	222,805,135	101,953,156	117,992,510
	₱1,587,151,376	₱1,085,974,887	₱673,944,104	₱1,017,928,252	₱1,082,832,730	₱499,813,658

Dividends earned by the Parent Company from its investment in preferred shares designated at FVPL amount to ₱301.58 million, ₱478.25 million and nil in 2014, 2013 and 2012, respectively.

Miscellaneous Expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Information technology	₱326,718,035	₱208,503,155	₱214,630,676	₱236,261,197	₱206,865,179	₱212,599,285
Litigations	149,996,498	119,596,154	29,061,855	61,452,183	114,607,943	28,716,149
Freight	104,471,796	48,446,195	46,067,749	100,036,640	48,446,195	45,306,771
Broker's fee	52,214,521	61,272,891	31,795,328	25,959,031	61,272,891	31,795,328
Clearing and processing fee	23,143,094	18,354,364	20,605,749	16,784,134	18,354,364	20,605,749
Membership fees and dues	19,227,531	15,435,837	16,388,146	17,697,889	15,435,837	16,388,146
Miscellaneous expense	346,026,295	218,130,013	245,968,277	267,120,441	215,395,594	256,104,395
	₱1,021,797,770	₱689,738,609	₱604,517,780	₱725,311,515	₱680,378,003	₱611,515,823



21. Maturity Analysis of Assets and Liabilities

The following tables present both the Group's and Parent Company's assets and liabilities as of December 31, 2014 and 2013 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective balance sheet date:

	Consolidated					
	2014			2013		
	Within Twelve Months	Over Twelve Months	Total	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	₱10,734,059,421	₱–	₱10,734,059,421	₱7,281,640,616	₱–	₱7,281,640,616
Due from BSP	67,451,647,883	–	67,451,647,883	78,968,132,522	–	78,968,132,522
Due from other banks	17,552,823,222	–	17,552,823,222	23,885,538,128	–	23,885,538,128
Interbank loans receivable	223,600,000	–	223,600,000	–	–	–
Financial assets at FVPL	4,085,411,101	4,355,287,587	8,440,698,688	5,556,344,777	4,865,078,276	10,421,423,053
AFS financial assets - gross	570,907,514	37,944,687,292	38,515,594,806	854,830,732	43,534,041,537	44,388,872,269
HTM financial assets	1,008,033,006	11,101,310,598	12,109,343,604	802,043,787	11,348,503,042	12,150,546,829
Loans and receivables - gross	142,905,973,677	154,744,723,962	297,650,697,639	106,494,552,162	121,163,831,562	227,658,383,724
Accrued interest receivable – gross	2,316,057,634	–	2,316,057,634	1,997,383,028	–	1,997,383,028
Other assets - gross	3,735,554,970	1,180,820,574	4,916,375,544	2,969,480,219	397,484,970	3,366,965,189
	250,584,068,428	209,326,830,013	459,910,898,441	228,809,945,971	181,308,939,387	410,118,885,358
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment - gross	–	6,253,396,072	6,253,396,072	–	5,284,569,239	5,284,569,239
Investment properties - gross	–	7,110,124,891	7,110,124,891	–	3,850,856,484	3,850,856,484
Deferred tax assets	–	848,686,105	848,686,105	–	627,795,898	627,795,898
Investments in associates	–	534,881,164	534,881,164	–	21,245,838	21,245,838
Branch licenses	–	2,427,100,000	2,427,100,000	–	837,600,000	837,600,000
Goodwill	–	1,491,639,289	1,491,639,289	–	222,841,201	222,841,201
Other assets - gross	658,215,554	1,107,070,705	1,765,286,259	691,661,831	1,504,128,446	2,195,790,277
	658,215,554	19,772,898,226	20,431,113,780	691,661,831	12,349,037,106	13,040,698,937
Less:						
Allowances for impairment and credit losses (Note 15)			(8,904,597,425)			(₱8,977,260,770)
Unearned interest and discounts (Note 9)			(497,418,129)			(484,400,529)
			(9,402,015,554)			(9,461,661,299)
			₱470,939,996,667			₱413,697,922,996
Financial liabilities						
Deposit liabilities	₱373,561,333,023	₱25,740,211,035	₱399,301,544,058	₱343,800,398,152	₱10,467,804,528	₱354,268,202,680
Bills payable	3,070,484,588	3,250,094,961	6,320,579,549	4,014,507,046	4,284,687,479	8,299,194,525
Manager's checks	1,221,394,875	–	1,221,394,875	859,892,248	–	859,892,248
Accrued interest and other expenses	553,809,803	–	553,809,803	548,272,803	–	548,272,803
Derivative liabilities	101,609,941	–	101,609,941	154,808,366	–	154,808,366
Subordinated debt	1,188,761,984	–	1,188,761,984	–	–	–
Other liabilities	3,228,576,293	–	3,228,576,293	3,054,871,530	–	3,054,871,530
	382,925,970,507	28,990,305,996	411,916,276,503	352,432,750,145	14,752,492,007	367,185,242,152
Nonfinancial liabilities						
Accrued payable for employee benefits	–	868,629,045	868,629,045	–	752,231,486	752,231,486
Accrued taxes and other licenses	147,395,062	–	147,395,062	134,295,387	–	134,295,387
Accrued lease payable	–	60,914,579	60,914,579	–	67,125,802	67,125,802
Deferred tax liabilities	–	962,555,706	962,555,706	–	–	–
Withholding taxes payable	101,459,780	–	101,459,780	106,024,639	–	106,024,639
Income tax payable	10,943,813	–	10,943,813	6,768,350	–	6,768,350
Retirement liabilities (Note 23)	–	305,773,064	305,773,064	–	46,535,741	46,535,741
	₱383,185,769,162	₱31,188,178,390	₱414,373,947,552	₱352,679,838,521	₱15,618,385,036	₱368,298,223,557

	Parent Company					
	2014			2013		
	Within Twelve Months	Over Twelve Months	Total	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	₱9,295,129,845	₱–	₱9,295,129,845	₱7,035,251,105	₱–	₱7,035,251,105
Due from BSP	60,543,866,682	–	60,543,866,682	75,678,312,048	–	75,678,312,048
Due from other banks	15,836,701,053	–	15,836,701,053	23,215,575,357	–	23,215,575,357
Interbank loans receivable	223,600,000	–	223,600,000	–	–	–
Financial assets at FVPL	4,085,197,427	3,927,237,861	8,012,435,288	5,556,344,777	4,865,078,276	10,421,423,053
AFS financial assets - gross	369,002,650	36,712,558,281	37,081,560,931	854,830,733	42,347,682,831	43,202,513,564
HTM financial assets	995,806,110	10,357,981,717	11,353,787,827	802,043,787	11,320,545,426	12,122,589,213
Loans and receivables - gross	123,283,601,612	128,441,670,607	251,725,272,219	103,235,987,057	114,221,943,877	217,457,930,934
Accrued interest receivable - gross	1,989,208,973	–	1,989,208,973	1,899,023,541	–	1,899,023,541
Other assets - gross	2,415,884,688	303,737,570	2,719,622,258	2,701,293,748	397,484,970	3,098,778,718
	219,037,999,040	179,743,186,036	398,781,185,076	220,978,662,153	173,152,735,380	394,131,397,533

(Forward)



	Parent Company					
	2014			2013		
	Within Twelve Months	Over Twelve Months	Total	Within Twelve Months	Over Twelve Months	Total
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment	₱–	₱4,748,198,638	₱4,748,198,638	₱–	₱4,725,647,705	₱4,725,647,705
Investment properties - gross	–	3,115,599,550	3,115,599,550	–	3,511,190,767	3,511,190,767
Deferred tax assets	–	842,366,600	842,366,600	–	763,461,954	763,461,954
Investments in subsidiaries and associates	–	6,183,223,279	6,183,223,279	–	1,948,995,625	1,948,995,625
Branch licenses	–	455,000,000	455,000,000	–	455,000,000	455,000,000
Goodwill	–	222,841,201	222,841,201	–	222,841,201	222,841,201
Other assets - gross	635,094,490	926,670,677	1,561,765,167	540,295,445	1,502,441,475	2,042,736,920
	635,094,490	16,493,899,945	17,128,994,435	540,295,445	13,129,578,727	13,669,874,172
Less:						
Allowances for impairment and credit losses (Note 15)			(8,165,837,793)			(8,596,879,062)
Unearned interest and discounts (Note 9)			(242,962,903)			(378,681,663)
			(8,408,800,696)			(8,975,560,725)
			₱407,501,378,815			₱398,825,710,980
Financial liabilities						
Deposit liabilities	₱333,559,117,376	₱7,525,516,836	₱341,084,634,212	₱332,583,633,864	₱7,248,219,623	₱339,831,853,487
Bills payable	2,933,882,500	2,243,718,339	5,177,600,839	4,014,507,046	4,284,687,479	8,299,194,525
Manager's checks	822,179,038	–	822,179,038	704,488,259	–	704,488,259
Accrued interest and other expenses	293,850,152	–	293,850,152	498,286,297	–	498,286,297
Derivative liabilities	101,609,941	–	101,609,941	154,808,366	–	154,808,366
Other liabilities	2,115,168,292	–	2,115,168,292	2,722,643,351	–	2,722,643,351
	339,825,807,299	9,769,235,175	349,595,042,474	340,678,367,183	11,532,907,102	352,211,274,285
Nonfinancial liabilities						
Accrued payable for employee benefits	–	810,315,611	810,315,611	–	752,231,486	752,231,486
Accrued taxes and other licenses	147,395,062	–	147,395,062	134,188,984	–	134,188,984
Accrued lease payable	–	60,914,579	60,914,579	–	60,914,579	60,914,579
Withholding taxes payable	67,750,216	–	67,750,216	93,734,234	–	93,734,234
Income tax payable	1,396,937	–	1,396,937	–	–	–
	₱340,042,349,514	₱10,640,465,365	₱350,682,814,879	₱340,906,290,401	₱12,346,053,167	₱353,252,343,568

22. Equity

The Parent Company's capital stock consists of:

	2014		2013	
	Shares	Amount	Shares	Amount
Common stock - ₱10 par value				
Authorized - shares	2,500,000,000		2,000,000,000	
Issued and outstanding				
Balance at beginning of year	1,427,661,658	₱14,276,616,580	1,297,874,230	₱12,978,742,300
Stock rights	161,609,878	1,616,098,780	–	–
Stock dividends*	127,142,781	1,271,427,810	129,787,428	1,297,874,280
	1,716,414,317	₱17,164,143,170	1,427,661,658	₱14,276,616,580

*The stock dividends declared include fractional shares equivalent to 1,058 shares in 2014 and 5 shares in 2013.

The Parent Company shares are listed in the Philippine Stock Exchange.

On March 5, 2014, the BOD authorized the Parent Company to conduct a rights issue, by way of offering common shares to certain eligible shareholders. The BSP approved the stock rights offering on March 18, 2014.

The stock rights offering yielded a subscription of 161,609,878 common shares which were listed at the Philippine Stock Exchange on May 13, 2014. The total proceeds of the stock rights offering amounted to ₱7.93 billion, net of stock issuance cost of ₱67.53 million which was deducted from additional paid in capital.



The additional capital will enable the Parent Company to pursue growth strategies while ensuring that its capital adequacy levels remain above the new Basel III requirements, particularly in light of the recent acquisition of PDB.

On May 8, 2014, the BOD approved and the stockholders ratified the increase in the Bank's authorized capital stock from ₱20.00 billion to ₱25.00 billion, or from 2.00 billion to 2.50 billion shares with par value of ₱10.00 per share. The increase in the Bank's authorized capital stock was subsequently approved by the BSP and the SEC on August 7, 2014 and August 29, 2014, respectively.

The summarized information on the Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares*
April 12, 1991	100,000,000
October 7, 1993	150,000,000
August 30, 1994	200,000,000
July 26, 1995	250,000,000
September 12, 1997	500,000,000
September 5, 2005	1,000,000,000
September 14, 2007	1,600,000,000
September 5, 2008	2,000,000,000
August 29, 2014	2,500,000,000

** Restated to show the effects of the ten-for-one stock split in 2012*

As reported by the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 1,980 and 1,998 as of December 31, 2014 and 2013, respectively.

Dividends

On May 8, 2014, the BOD approved the declaration of 8.00% stock and ₱1.00 per share cash dividends to stockholders of record as of September 19, 2014. The BSP and SEC approved the dividend declaration on July 2, 2014.

On May 2, 2013, the BOD approved the declaration of 10.00% stock and ₱1.20 per share cash dividends to stockholders of record as of July 19, 2013. The BSP and SEC approved the dividend declaration on June 21, 2013.

On May 3, 2012, the BOD approved the declaration of 10.00% stock and ₱1.20 per share cash dividends to stockholders of record as of July 18, 2012. The BSP and SEC approved the dividend declaration on May 30, 2012.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2014 and 2013, surplus includes the amount of ₱1.28 billion, net of deferred tax liability of ₱547.40 million, representing transfer of revaluation increment on land which was carried at deemed cost when the Group transitioned to PFRS in 2005 (Note 11). This amount will be available to be declared as dividends upon sale of the underlying land.



In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries and associates amounting to ₱233.28 million and ₱211.67 million as of December 31, 2014 and 2013, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Reserves

In compliance with BSP regulations, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2014 and 2013.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets (RWA), should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and RWA are computed based on BSP regulations. RWA consists of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On August 4, 2006, the BSP, under BSP Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines. As of December 31, 2014, the Group and the Parent Company's CAR under BSP Circular No. 538 is 14.88% and 16.11%, respectively.

The regulatory qualifying capital of the Group consists of Tier 1 (core) capital, which comprises paid-up common stock, additional paid-in capital, surplus including current year profit, surplus reserves and minority interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders, and other related interests (DOSRI), deferred income tax, and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes general loan loss provision, and net unrealized gains on AFS equity securities.



Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations, Corporates.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The CAR of the Group and the Parent Company as of December 31, 2014 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2014	2013	2014	2013
	(Amounts in Million Pesos)			
Tier 1 capital	₱47,857	₱41,592	₱44,191	₱41,272
Less required deductions	—	2,597	—	3,236
Sub-total	47,857	38,995	44,191	38,036
Excess from Tier 2 deducted to Tier 1 Capital*	—	—	—	—
Net Tier 1 Capital	47,857	38,995	44,191	38,036
Tier 2 Capital	3,196	2,492	2,686	2,381
Less: Required deductions	—	121	—	768
Sub-total	3,196	2,371	2,686	1,613
Excess from Tier 2 deducted to Tier 1 Capital*	—	—	—	—
Net Tier 2 Capital	3,196	2,371	2,686	1,613
Total qualifying capital	₱51,053	₱41,366	₱46,877	₱39,649

*Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.



	Consolidated		Parent Company	
	2014	2013	2014	2013
	(Amounts in Million Pesos)			
Credit RWA	₱319,508	₱244,727	₱268,359	₱233,605
Market RWA	2,655	3,724	2,389	3,725
Operational RWA	21,025	20,400	20,273	19,910
Total RWA	343,188	268,851	291,021	257,240
Tier 1 capital ratio	13.95%	14.50%	15.18%	14.79%
Total capital ratio	14.88%	15.39%	16.11%	15.41%

Except for PDB, the Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

As of December 31, 2014, PDB's CAR did not meet the minimum capital requirements prescribed under BSP Circular 781. However, the consolidated capital position of the Parent Company, CBS and PDB is in excess of the minimum capital ratios prescribed under Basel III framework. Consequently, the Parent Company requested approval from the BSP that PDB's compliance with the minimum capital ratios prescribed under Basel III framework be assessed based on the Group's consolidated capital position. The Parent Company requested that this regulatory relief be granted as part of the merger incentives and shall continue to take effect until the merger of CBS and PDB has been completed. The Parent Company has committed to infuse the necessary amount of regulatory capital to the merged entity as prescribed by the BSP and in accordance with the conditions set for the merger.

As of the date of the issuance of the financial statements, the request is still pending with the BSP.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this circular, the Parent Company has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Parent Company. The level and structure of capital are assessed and determined in light of the Parent Company's business environment, plans, performance, risks and budget; as well as regulatory edicts. BSP requires submission of an ICAAP document every January 31. The Group has complied with this requirement.

23. Retirement Plan

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plans were made as of December 31, 2014.

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The amounts of net defined benefit asset in the balance sheets follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Net plan assets (Note 14)	₱926,670,675	₱1,504,128,446	₱926,670,675	₱1,502,441,475
Retirement liabilities (Note 19)	(305,773,064)	(46,535,741)	—	—
	₱620,897,611	₱1,457,592,705	₱926,670,675	₱1,502,441,475



The movements in the defined benefit asset, present value of defined benefit obligation and fair value of plan assets follow:

Consolidated												
2014												
January 1, 2014	Net benefit cost			Remeasurements in other comprehensive income								
	PVO transfer	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding changes arising from amount included in net interest)						
						(g)	(h)	(i)	(j) = g + h + i	Changes in remeasurement gains	Contribution by employer	December 31, 2014 (l) = a + b + e + f + j + k
Fair value of plan assets	(a)	(b)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)	(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Present value of defined benefit obligation	₹4,549,600,610	₹438,745,589	₹—	₹250,653,770	₹250,653,770	(₹249,985,038)	(₹420,263,385)	₹—	₹—	(₹420,263,385)	₹110,242,947	₹4,678,994,493
Net defined benefit asset	3,092,007,905	585,280,304	327,055,588	154,166,296	481,221,884	(249,985,038)	—	(32,081,695)	181,653,522	149,571,827	—	4,058,096,882
	₹1,457,592,705	(₹146,534,715)	(₹327,055,588)	₹96,487,474	(₹230,568,114)	₹—	(₹420,263,385)	₹32,081,695	(₹181,653,522)	(₹569,835,212)	₹110,242,947	₹620,897,611

*Presented under Compensation and fringe benefits in the statements of income.

Parent												
2014												
January 1, 2014	Net benefit cost			Remeasurements in other comprehensive income								
	PVO transfer	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding changes arising from amount included in net interest)						
						(g)	(h)	(i)	(j) = g + h + i	Changes in remeasurement gains	Contribution by employer	December 31, 2014 (l) = a + b + e + f + j + k
Fair value of plan assets	(a)	(b)	(c)	(d)	(e) = c + d	(f)	(g)	(h)	(i)	(j) = g + h + i	(k)	(l) = a + b + e + f + j + k
Present value of defined benefit obligation	₹4,496,668,630	₹—	₹—	₹228,232,594	₹228,232,594	(₹125,301,167)	(₹397,682,141)	₹—	₹—	(₹397,682,141)	₹32,687,151	₹4,234,605,067
Net defined benefit asset	2,994,227,155	3,532,045	261,913,531	124,241,542	386,155,073	(125,301,167)	—	(96,142,483)	145,463,769	49,321,286	—	3,307,934,392
	₹1,502,441,475	(₹3,532,045)	(₹261,913,531)	₹103,991,052	(₹157,922,479)	₹—	(₹397,682,141)	₹96,142,483	(₹145,463,769)	(₹447,003,427)	₹32,687,151	₹926,670,675

*Presented under Compensation and fringe benefits in the statements of income.



Consolidated										
2013										
	Net benefit cost		Remeasurements in other comprehensive income							
	January 1, 2013	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement gains	December 31, 2013
	(a)	(b)	(c)	(d) = b + c	(e)	(f)	(g)	(h)	(i) = f + g + h	(k) = a + d + e + i + j
Fair value of plan assets	₹4,001,777,872	₹—	₹228,605,350	₹228,605,350	(₹135,133,484)	₹246,949,468	₹—	₹—	₹246,949,468	₹4,549,600,610
Present value of defined benefit obligation	3,125,938,068	305,968,258	150,831,551	456,799,809	(135,133,484)	—	(50,452,099)	(305,144,389)	(355,596,488)	—
Net defined benefit asset	₹875,839,804	(₹305,968,258)	₹77,773,799	(₹228,194,459)	₹—	₹246,949,468	₹50,452,099	₹305,144,389	₹602,545,956	₹1,457,592,705

*Presented under Compensation and fringe benefits in the statements of income.

Parent										
2013										
	Net benefit cost		Remeasurements in other comprehensive income							
	January 1, 2013	Current service cost	Net interest	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement gains	December 31, 2013
	(a)	(b)	(c)	(d) = b + c	(e)	(f)	(g)	(h)	(i) = f + g + h	(k) = a + d + e + i + j
Fair value of plan assets	₹3,956,363,063	₹—	₹225,908,331	₹225,908,331	(₹135,133,484)	₹247,129,316	₹—	₹—	₹247,129,316	₹4,496,668,630
Present value of defined benefit obligation	3,025,655,980	283,488,056	144,821,679	428,309,735	(135,133,484)	—	(27,162,029)	(297,443,047)	(324,605,076)	—
Net defined benefit asset	₹930,707,083	(₹283,488,056)	₹81,086,652	(₹202,401,404)	₹—	₹247,129,316	₹27,162,029	₹297,443,047	₹571,734,392	₹1,502,441,475

*Presented under Compensation and fringe benefits in the statements of income.



The Parent Company does not expect to contribute to its defined benefit pension plan in 2015.

In 2014 and 2013, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Parent Company shares	41.12%	41.78%	45.44%	42.27%
Debt instruments	29.33%	28.64%	29.98%	28.29%
Cash and cash equivalents	15.40%	21.43%	9.34%	21.31%
Equity instruments	10.78%	4.89%	11.70%	4.84%
Other assets	3.37%	3.26%	3.54%	3.29%
	100.00%	100.00%	100.00%	100.00%

The following table shows the breakdown of fair value of the plan assets:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Due from BSP	₱580,384,425	₱856,773,500	₱279,980,200	₱856,773,500
Deposits in banks	140,147,653	118,866,676	115,381,342	101,887,968
Financial assets at FVPL	487,015,906	204,229,514	479,894,306	204,229,514
AFS financial assets				
Quoted debt securities	735,864,311	739,157,245	694,609,379	711,143,662
Quoted equity securities	17,318,642	18,414,208	15,454,508	13,598,062
Parent Company shares	1,924,115,187	1,902,084,657	1,924,115,187	1,902,084,657
Investments in unit investment trust fund	106,730,418	122,927,004	106,730,418	122,927,004
Corporate bonds	529,571,511	441,979,075	468,266,327	438,820,000
Loans and receivables	541,111	572,664	503,705	572,664
Investment properties*	143,959,600	136,568,000	136,568,000	136,568,000
Other assets	13,345,729	11,057,589	13,101,695	11,093,610
	₱4,678,994,493	₱4,552,630,132	₱4,234,605,067	₱4,499,698,641

* Investment properties comprise properties located in Manila.

The carrying value of the plan assets of the Group and Parent Company amounted to ₱4.78 billion and ₱4.34 billion, respectively, as of December 31, 2014, and ₱4.55 billion and ₱4.50 billion, respectively, as of December 31, 2013.

The principal actuarial assumptions used in 2014 and 2013 in determining the retirement liability for the Group's and Parent Company's retirement plans are shown below:

	2014				
	Parent	CBSI	CBC-PCCI	CIBI	PDB
Discount rate:					
January 1	5.08%	5.77%	5.76%	5.88%	4.83%
December 31	4.54%	4.66%	4.56%	4.49%	4.60%
Salary increase rate	6.00%	6.00%	6.00%	6.00%	4.00%
	2013				
	Parent	CBSI	CBC-PCCI	CIBI	
Discount rate:					
January 1	5.71%	6.11%	5.94%	5.92%	
December 31	5.08%	5.77%	5.76%	5.88%	
Salary increase rate	6.00%	6.00%	6.00%	6.00%	



The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit liability as of the end of the reporting period, assuming all other assumptions were held constant:

December 31, 2014	Parent	CBSI	CBC-PCCI	CIBI	PDB
Discount rate					
(+1%)	(¥261,371,135)	(¥12,832,108)	(¥8,402,571)	(¥1,759,767)	(¥55,339,931)
(-1%)	306,542,457	16,118,081	10,432,441	2,190,416	64,628,602
Salary increase rate					
(+1%)	284,376,013	15,302,022	9,817,863	2,086,466	132,209,473*
(-1%)	(248,372,800)	(12,496,014)	(8,096,659)	(1,718,971)	(101,134,074)*
*Salary increase rate (+/-2%)					
December 31, 2013	Parent	CBSI	CBC-PCCI	CIBI	
Discount rate					
(+1%)	(¥235,683,452)	(¥2,285,262)	(¥6,168,476)	(¥767,206)	
(-1%)	276,137,776	8,622,146	7,590,054	965,468	
Salary increase rate					
(+1%)	257,517,466	8,392,825	7,189,382	930,943	
(-1%)	(224,938,940)	(2,210,724)	(5,959,120)	(756,844)	

24. Derivative Financial Instruments

Occasionally, the Parent Company enters into forward exchange contracts as an accommodation to its clients. These derivatives are not designated as accounting hedges. The aggregate notional amounts of the outstanding buy US dollar currency forwards as of December 31, 2014 and 2013 amounted to US\$453.42 million and US\$478.66 million, respectively, while the sell US dollar forward contracts amounted to US\$585.71 million and US\$816.38 million, respectively. Weighted average buy US dollar forward rates as of December 31, 2014 and 2013 are ¥44.60 and ¥43.41, respectively, while the weighted average sell US dollar forward rates are ¥44.95 and ¥44.24, respectively.

The aggregate notional amounts of the outstanding sell Japanese yen (JPY) currency forwards as of December 31, 2014 amounted to JPY241.02 million. Weighted average sell JPY forward rates as of December 31, 2014 is ¥0.37.

The aggregate notional amounts of the outstanding IRS as of December 31, 2014 and 2013 amounted to ¥4.70 billion and ¥3.80 billion, respectively.

As of December 31, 2014 and 2013, the fair values of derivatives follow:

	2014		2013	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Currency forwards	¥268,454,566	¥67,793,695	¥475,864,396	¥119,315,938
IRS	12,369,127	33,816,246	10,979,876	35,492,428
Warrants	8,733,369	—	8,669,900	—
	¥289,557,062	¥101,609,941	¥495,514,172	¥154,808,366



Fair Value Changes of Derivatives

The net movements in fair value changes of derivative instruments are as follows:

	2014	2013
Balance at beginning of year	₱340,705,806	(₱318,235,939)
Fair value changes during the year	51,292,115	877,329,828
Settled transactions	(204,050,800)	(218,388,083)
Balance at end of year	₱187,947,121	₱340,705,806

The net movements in the value of the derivatives are presented in the statements of income under the following accounts:

	2014	2013	2012
Foreign exchange gain (loss)	(₱155,824,118)	₱740,293,749	(₱356,349,338)
Trading and securities gains (loss)* (Note 20)	3,065,433	(81,352,004)	(33,294,321)
	(₱152,758,685)	₱658,941,745	(₱389,643,659)

*Net movements in the value related to embedded credit derivatives and IRS.

25. Lease Contracts

The lease contracts are for periods ranging from one to 25 years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Annual rentals on these lease contracts included in 'Occupancy cost' in the statements of income in 2014, 2013 and 2012 amounted to ₱522.00 million, ₱296.00 million and ₱212.69 million, respectively, for the Group, and ₱349.00 million, ₱229.00 million and ₱181.00 million, respectively, for the Parent Company.

Future minimum rentals payable of the Group and the Parent Company under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Within one year	₱530,257,653	₱325,934,096	₱373,762,845	₱244,684,361
After one year but not more than five years	1,460,492,459	976,665,074	1,060,263,777	684,530,837
After five years	497,143,790	312,086,414	407,164,120	225,696,367
	₱2,487,893,902	₱1,614,685,584	₱1,841,190,742	₱1,154,911,565

The Group and the Parent Company have also entered into commercial property leases on its investment properties (Note 12). These noncancellable leases have remaining noncancellable lease terms of between one and five years for the Group and the Parent Company.



Future minimum rentals receivable under noncancellable operating leases follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Within one year	₱8,360,485	₱22,663,954	₱2,985,835	₱2,523,860
After one year but not more than five years	81,044,519	41,767,673	7,200,000	—
	₱89,405,004	₱64,431,627	₱10,185,835	₱2,523,860

26. Income and Other Taxes

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code, provides that RCIT rate shall be 30.00% while interest expense allowed as a deductible expense is reduced to 33.00% of interest income subject to final tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDUs and OBUs is taxed at 7.50%, while all other income of the FCDU is subject to the 30.00% corporate tax.

On March 15, 2011, the BIR issued Revenue Regulation (RR) No. 4-2011 which prescribes the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU. Pursuant to the regulations, the Parent Company made an allocation of its expenses in calculating income taxes due for RBU and FCDU.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.



The provision for income tax consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Current:						
Final tax	₱575,433,837	₱474,708,084	₱397,890,351	₱472,387,187	₱474,690,027	₱370,560,842
RCIT	888,187,884	367,639,848	94,057,428	871,033,470	345,598,892	100,531,347
MCIT	34,693,360	—	9,293,831	—	—	8,580,008
	1,498,315,081	842,347,932	501,241,610	1,343,420,657	820,288,919	479,672,197
Deferred	66,612,192	(167,811,495)	(78,952,994)	65,411,675	(170,360,659)	(67,115,057)
	₱1,564,927,273	₱674,536,437	₱422,288,616	₱1,408,832,332	₱649,928,260	₱412,557,140

The details of net deferred tax assets (liabilities) follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Deferred tax assets (liabilities) on:				
Allowance for impairment and credit losses	₱1,667,491,669	₱1,777,532,312	₱1,641,349,304	₱1,751,407,360
Revaluation increment on land	(547,404,615)	(547,404,615)	(547,404,615)	(547,404,615)
Remeasurement gain on defined benefit asset or liability	(91,171,331)	(255,154,157)	(121,603,129)	(255,704,157)
Fair value adjustment on asset foreclosures and dacion transactions - net of depreciated portion	(142,380,584)	(144,695,215)	(102,636,766)	(102,636,766)
Fair value adjustments on net assets of PDB and Unity Bank	(894,147,971)	(133,326,974)	—	—
Unrealized gain on FVPL and AFS	(100,783,603)	(101,140,186)	(100,783,603)	(100,783,603)
Accrued rent	24,827,074	22,733,929	30,002,312	18,274,374
Unamortized past service cost	877,246	1,001,930	230,879	309,361
Others	(31,177,486)	8,248,874	43,212,218	—
	(₱113,869,601)	₱627,795,898	₱842,366,600	₱763,461,954

The Group did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Allowance for impairment and credit losses	₱3,346,291,862	₱3,052,153,063	₱2,694,673,446	₱2,758,854,529
NOLCO	1,979,435,594	170,663,471	—	—
Accrued compensated absences	282,863,149	75,453,795	64,854,777	75,453,795
Excess of MCIT over RCIT	102,549,460	13,435,356	—	—
Others	38,657,555	—	—	—
	₱5,749,797,620	₱3,311,705,685	₱2,759,528,223	₱2,834,308,324

As of December 31, 2014, details of the Group's NOLCO are as follows:

Inception Year	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2011	₱46,665,851	₱18,744,851	₱27,921,000	₱—	2014
2012	1,635,734,907	71,823,347	—	1,563,911,560	2015
2013	238,439,000	—	—	238,439,000	2016
2014	177,085,034	—	—	177,085,034	2017
	₱2,097,924,792	₱90,568,198	₱27,921,000	₱1,979,435,594	



As of December 31, 2014, details of the excess of MCIT over RCIT of the Group follow:

Inception Year	Original Amount	Used Amount	Expired Amount	Remaining Balance	Expiry Year
2011	₱42,227,296	₱11,039,894	₱31,187,402	₱–	2014
2012	27,764,894	–	–	27,764,894	2015
2013	37,783,160	–	–	37,783,160	2016
2014	37,001,406	–	–	37,001,406	2017
	₱144,776,756	₱11,039,894	₱31,187,402	₱102,549,460	

The reconciliation of the statutory income tax to the provision for income tax follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Statutory income tax	₱2,003,542,947	₱1,732,495,181	₱1,627,589,495	₱1,957,021,375	₱1,750,324,274	₱1,664,851,068
Tax effects of:						
FCDU income	(524,178,037)	(407,003,965)	(833,055,070)	(479,306,577)	(407,253,711)	(832,008,105)
Interest income subjected to final tax	(453,823,765)	(246,573,693)	(201,204,070)	(230,808,885)	(234,210,635)	(188,738,968)
Non-taxable income	(618,351,544)	(730,180,246)	(556,142,627)	(349,136,795)	(715,563,632)	(553,638,681)
Nondeductible expenses	1,235,066,337	596,864,488	464,122,693	532,835,041	501,389,235	446,220,023
Others	(77,328,665)	(271,065,328)	(79,021,805)	(21,771,827)	(244,757,271)	(124,128,197)
Provision for income tax	₱1,564,927,273	₱674,536,437	₱422,288,616	₱1,408,832,332	₱649,928,260	₱412,557,140

27. Trust Operations

Securities and other properties (other than deposits) held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying balance sheets since these are not assets of the Parent Company (Note 29).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions: (a) government securities included under AFS financial assets in the balance sheets with a total face value of ₱1.22 billion and ₱1.12 billion as of December 31, 2014 and 2013, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations (Note 8); and (b) a certain percentage of the Parent Company's trust fee income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function equals 20.00% of the Parent Company's authorized capital stock.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- significant investors
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and



collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and Parent Company from such services amounted to ₱46.91 million and ₱44.05 million, respectively, in 2014, ₱42.67 million and ₱42.39 million, respectively, in 2013, and ₱36.11 million and ₱35.87 million, respectively, in 2012. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee (TIC) of the Parent Company. The members of the TIC are directors and key management personnel of the Parent Company.

A summary of transactions with related party retirement plans follows:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Deposits in banks	₱415,584,783	₱118,866,676	₱103,511,308	₱101,887,968
Equity investment	1,978,052,178	1,902,084,657	1,924,115,187	1,902,084,657
Dividend income	37,906,130	35,169,516	37,906,130	35,169,516
Interest income	733,836	5,014,496	663,880	4,787,801
Number of shares held			40,938,621	32,238,723
Total market value			1,924,115,187	1,902,084,657

In 2012, dividend income and interest income of the retirement plan from investments and placements in the Parent Company amounted to ₱31.97 million and ₱12.42 million, respectively, for the Group, and ₱31.97 million and ₱12.18 million, respectively, for the Parent Company.

Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Short-term employee benefits	₱400,317,968	₱344,566,502	₱338,425,670	₱313,468,594	₱311,417,108	₱313,589,717
Post-employment benefits	7,645,895	3,736,499	2,572,668	3,644,885	2,499,378	1,410,741
	₱407,963,863	₱348,303,001	₱340,998,338	₱317,113,479	₱313,916,486	₱315,000,458

Members of the BOD are entitled to a per diem of ₱500.00 for attendance at each meeting of the Board or of any committees and to four percent of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all China Bank Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.



Other related party transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions. Details of the Parent Company's subsidiaries and associate are disclosed in Notes 1 and 10.

Group

Related party transactions of the Group by category of related party are presented below.

Category	December 31, 2014		Terms and Conditions
	Amount / Volume	Outstanding Balance	
Significant Investor			
Loans		₱3,000,000,000	Includes secured loan with interest rate of 5.13% and maturity of five years.
Issuances	₱3,000,000,000		
Repayments	(2,400,000,000)		Collateral includes shares of stocks with fair value of ₱22.11 billion.
Deposit liabilities		4,582,947,414	These are checking account with annual average interest rate of 0.13%.
Deposits	4,582,888,247		
Withdrawals	(1,144)		
Associates			
Loans		14,310,526	Contract-to-sell loans with annual interest rate from 15.00% to 21.00%.
Issuances	–		
Repayments	481,871,836		
Deposit liabilities		980,699,001	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	16,760,465,200		
Withdrawals	(15,931,839,040)		
Key Management Personnel			
Loans		21,678,483	These are credit card transactions and secured loans with interest rate ranging from 5.5% to 8.00% and maturity of 15 years.
Issuances	9,091,143		
Repayments	(30,163,393)		
Deposit liabilities		36,702,404	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	281,249,887		
Withdrawals	(362,831,247)		
Other Related Parties			
Loans		–	
Issuances	–		
Repayments	(750,000,000)		
Deposit liabilities		29,660,687,571	These are checking and savings account with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	37,294,856,109		
Withdrawals	(7,791,868,854)		
Category	December 31, 2013		Terms and Conditions
	Amount / Volume	Outstanding Balance	
Significant Investor			
Loans		₱2,400,000,000	Include secured loans with interest rate of 2.85% and maturity of two months.
Issuances	₱2,400,000,000		Collateral includes shares of stocks with fair value of ₱22.15 billion.
Repayments	(4,883,400,000)		These are checking account with annual average interest rate of 0.13%.
Deposit liabilities		60,311	
Deposits	4,174,084,667		
Withdrawals	(4,182,512,264)		
Associate			
Deposit liabilities		152,072,841	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	7,591,722,279		
Withdrawals	(7,563,467,767)		
Key Management Personnel			
Loans		4,351,616	Include secured and unsecured loans with interest rate ranging from 6.00% to 8.00% and maturity of 15 years. Collaterals include real estate properties amounting to ₱8.03 million.
Issuances	2,747,722		
Repayments	(731,125)		
Deposit liabilities		76,890,073	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	447,292,410		
Withdrawals	(375,764,486)		
Other Related Parties			
Loans		–	
Issuances	–		
Repayments	(4,991,550,000)		
Deposit liabilities		155,743,571	These are checking and savings account with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	20,719,935,219		
Withdrawals	(20,617,613,708)		



Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2014, 2013, and 2012 follow:

	Significant Investor			Associate		
	2014	2013	2012	2014	2013	2012
Interest income	₱146,695,250	₱20,556,375	₱163,301,442	₱14,340,928	₱—	₱—
Interest expense	1,078	3,792	13,271	1,331,659	172,030	153,315

	Key Management Personnel			Other Related Parties		
	2014	2013	2012	2014	2013	2012
Interest income	₱1,132,663	₱316,051	₱244,003	₱42,660,000	₱—	₱154,511,645
Interest expense	466,193	107,162	—	198,723	120,457	85,887

Related party transactions of the Group with significant investor, associate and other related parties pertain to transactions of the Parent Company with these related parties.

Parent Company

Related party transactions of the Parent Company by category of related party, except those already presented in the Group disclosures, are presented below.

Category	December 31, 2014		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Deposit liabilities		₱6,523,495,689	These are checking and savings account with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	₱9,082,346,986		
Withdrawals	(3,005,425,900)		
Associate			
Deposit liabilities		4,582,947,414	These are credit card transactions and secured and unsecured loans with interest rate at 6.00% and maturity in 2021.
Deposits	4,582,888,247		
Withdrawals	(1,144)		
Key Management Personnel			
Loans		2,155,434	Loans with interest rate ranging from 6.00% to 8.00% and maturity of 15 years.
Issuances	551,540		
Repayments	(2,747,722)		
Deposit liabilities		13,499,652	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	263,274,431		
Withdrawals	(326,664,852)		
Other Related Parties			
Loans		—	These are checking and savings account with annual average interest rates ranging from 0.13% to 1.00%.
Issuances	—		
Repayments	(750,000,000)		
Deposit liabilities		29,625,479,615	
Deposits	37,261,604,898		
Withdrawals	(7,791,868,854)		

Category	December 31, 2013		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Deposit liabilities		₱446,574,603	These are checking and savings account with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	₱11,080,784,886		
Withdrawals	(10,969,978,397)		
Key Management Personnel			
Loans		4,351,616	Loans with interest rate ranging from 6.00% to 8.00% and maturity of 15 years.
Issuances	2,747,722		
Repayments	(731,125)		
Deposit liabilities		76,890,073	These are savings account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	447,371,207		
Withdrawals	(375,764,486)		

As of December 31, 2014 and 2013, CBSI has an outstanding letters of credit (LC) line with the Parent Company amounting to US\$10.0 million to accommodate the LC requirement of its clients (Note 29).

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2014, 2013 and 2012 in relation to amounts due from related parties.



Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2014, 2013 and 2012 follow:

	Subsidiaries			Associate		
	2014	2013	2012	2014	2013	2012
Interest income	P-	P-	P-	P-	P-	P-
Interest expense	202,539	223,584	123,415	1,081,036		

	Key Management Personnel			Other Related Parties		
	2014	2013	2012	2014	2013	2012
Interest income	P97,900	P316,051	P186,801	P42,660,000	P-	P-
Interest expense	54,706	107,162	9,178	105,811	-	-

Outstanding loan balances with related parties are unimpaired as at year-end, thus no impairment allowance was recorded.

Outright purchases and outright sale of debt securities of the Parent Company with its subsidiaries in 2014 and 2013 follow:

	Subsidiaries	
	2014	2013
Peso-denominated:	P637,890,000	P2,000,000,000
Outright purchase	558,567,000	2,435,000,000
Outright sale		
Dollar-denominated:		
Outright purchase	US\$1,800,000	US\$1,400,000
Outright sale	1,400,000	-

The following table shows the amount and outstanding balance of other related party transactions included in the financial statements:

	Subsidiaries			
	2014	2013	Nature, Terms and Conditions	
Balance Sheet				
Accounts Receivable	₱1,723,775	₱338,959	This pertains to various expenses advanced by CBC in behalf of CBSI.	
Security Deposits	2,192,538	1,936,657	This pertains to the rental deposits with CBSI for office space leased out to the Parent Company.	
Accounts Payable	6,682,669	1,472,358	This pertains to various unpaid rental to CBSI.	
	Subsidiaries			
	2014	2013	2012	Nature, Terms and Conditions
Income Statement				
Miscellaneous income	₱1,800,000	₱1,800,000	₱1,800,000	Human resources functions provided by the Parent Company to its subsidiaries (except CBC Forex and Unity Bank) such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the MOA between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee.
Occupancy cost	16,410,516	18,239,705	16,558,947	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of five years, with no escalation clause.
Miscellaneous expense	103,363,906	93,347,801	77,507,889	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.



Regulatory Reporting

As required by BSP, the Group discloses loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Total outstanding DOSRI loans	₱6,202,177,532	₱6,899,699,448	₱6,136,699,825	₱6,890,582,635
Percent of DOSRI loans granted under regulations existing prior to BSP Circular No. 423	—	—	—	—
Percent of DOSRI loans granted under BSP Circular No. 423	—	—	—	—
Percent of DOSRI loans to total loans	2.09%	3.08%	2.45%	3.21%
Percent of unsecured DOSRI loans to total DOSRI loans	5.65%	7.55%	5.69%	7.55%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/ quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2014 and 2013, the Parent Company is in compliance with these requirements.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As of December 31, 2014 and 2013, the Parent Company is in compliance with these requirements.

29. Commitments and Contingent Assets and Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.



The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Trust department accounts (Note 27)	₱71,201,164,035	₱67,447,457,904	₱65,826,813,367	₱63,479,015,562
Future exchange sold	26,415,835,382	36,116,560,158	26,415,835,382	36,116,560,158
Future exchange bought	20,223,682,405	20,778,554,007	20,223,682,405	20,778,554,007
Unused commercial letters of credit (Note 28)	19,500,527,619	17,574,202,929	19,185,363,619	17,573,829,122
IRS receivable	4,700,000,000	3,800,000,000	4,700,000,000	3,800,000,000
Spot exchange bought	1,207,450,000	1,770,013,561	1,207,450,000	1,770,013,561
Spot exchange sold	939,405,000	1,081,746,061	939,405,000	1,081,746,061
Outstanding guarantees issued	930,028,442	327,707,419	929,378,442	327,707,419
Late deposits/payments received	713,738,225	506,175,794	655,130,042	502,489,719
Deficiency claims receivable	297,072,923	297,072,923	297,072,923	297,072,923
Outward bills for collection	246,691,871	220,930,542	245,055,351	219,305,915
Inward bills for collection	242,966,245	231,328,492	242,966,245	231,328,492
Others	5,928,247,783	2,684,834,278	2,657,244,208	2,684,780,321

30. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the markets served, with each segment representing a strategic business unit. In 2014, the Group's organization structure was realigned in a manner that caused the composition of its reportable segments to change. From four major groups (Consumer Banking, Institutional Banking, Branch Banking and Treasury), the Bank now has three major business segments, namely:

The Group's business segments are as follows:

- Lending Business – principally handles all the lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients. It also handles home loans, contract-to-sell receivables and auto loans for individual and corporate customers. Aside from the lending business, it also provides cash management services and remittance transactions;
- Retail Banking Business – principally handles retail and commercial loans, individual and corporate deposits, overdrafts and funds transfer facilities, trade facilities and all other services for retail customers;
- Financial Capital Markets and Investments – principally provides money market, trading and treasury services, manages the Bank's funding operations by the use of government securities, placements and acceptances with other banks as well as offers advisory and capital-raising services to corporate clients and wealth management services to high-net-worth customers; and
- Others – handles other services including but not limited to trust and investment management services, asset management, insurance brokerage, credit management, thrift banking business, operations and financial control, and other support services.

The Group's businesses are organized to cater to the banking needs of market segments, facilitate customer engagement, ensure timely delivery of products and services as well as achieve cost



efficiency and economies of scale. Accordingly, the corresponding segment information for all periods presented herein are restated to reflect such change.

The Group reports its primary segment information to the Chief Operating Decision Maker (CODM) on the basis of the above-mentioned segments. The CODM of the Group is the Chief Operating Officer.

Segment assets are those operating assets that are employed by a segment in its operating activities that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Other operating income mainly consists of trading and securities gain (loss) - net, service charges, fees and commissions, trust fee income and foreign exchange gain - net. Other operating expense mainly consists of compensation and fringe benefits, provision for impairment and credit losses, taxes and licenses, occupancy, depreciation and amortization, stationery, supplies and postage and insurance. Other operating income and expense are allocated between segments based on equitable sharing arrangements.

The Group has no significant customers which contributes 10.00% or more of the consolidated revenues.

The Group's asset producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented.

The following tables present relevant financial information (in thousands) regarding business segments measured in accordance with PFRS as of and for the years ended December 31, 2014, 2013 and 2012 (with corresponding items of segment information for earlier periods restated to reflect the new composition of reportable segments):

	Lending Business			Retail Banking Business		
	2014	2013	2012	2014	2013	2012
Results of Operations						
Net interest income						
Third party	₱8,972,673	₱7,451,694	₱7,069,258	(₱187,269)	(₱544,700)	(₱1,083,972)
Intersegment	(3,102,914)	(3,233,697)	(4,764,566)	4,564,274	4,150,825	5,329,492
	5,869,759	4,217,997	2,304,692	4,377,005	3,606,125	4,245,520
Other operating income	633,077	657,680	373,632	1,296,578	1,186,744	1,150,101
Total revenue	6,502,836	4,875,677	2,678,324	5,673,583	4,792,869	5,395,621
Other operating expense	(1,172,810)	(1,078,260)	(969,300)	(5,109,623)	(4,770,170)	(4,374,814)
Income before income tax	5,330,026	3,797,417	1,709,024	563,960	22,699	1,020,807
Provision for income tax	(3,612)	—	—	(6,550)	(4,650)	—
Net income	₱5,326,414	₱3,797,417	₱1,709,024	₱557,410	₱18,049	₱1,020,807



	Lending Business			Retail Banking Business		
	2014	2013	2012	2014	2013	2012
Total assets	₱196,097,393	₱168,272,868	₱146,139,273	₱239,928,734	₱229,840,578	₱164,497,356
Total liabilities	₱775,648	₱896,570	₱1,990,649	₱296,507,001	₱276,074,955	₱211,473,913
Depreciation and amortization	₱21,879	₱12,160	₱11,554	₱309,589	₱345,769	₱343,375
Provision for impairment and credit losses	₱377,664	₱412,468	₱308,749	₱264,341	₱173,267	₱129,011
Capital expenditures	₱9,341	₱11,740	₱7,786	₱92,164	₱87,630	₱218,253

	Financial Capital Markets and Investments			Other Business and Support Units		
	2014	2013	2012	2014	2013	2012
Results of Operations						
Net interest income						
Third party	₱2,599,321	₱2,273,313	₱1,627,403	₱2,704,022	₱755,684	₱449,652
Intersegment	(541,263)	(665,313)	(53,922)	(920,097)	(251,815)	(511,004)
	2,058,058	1,608,000	1,573,481	1,783,925	503,869	(61,352)
Other operating income	1,413,239	2,240,750	3,243,551	1,416,382	1,075,417	1,026,330
Total revenue	3,471,297	3,848,750	4,817,032	3,200,307	1,579,286	964,978
Other operating expense	(601,704)	(694,222)	(705,479)	(5,285,410)	(2,778,946)	(2,381,064)
Income before income tax	2,869,593	3,154,528	4,111,553	(2,085,103)	(1,199,660)	(1,416,086)
Provision for income tax	(451,402)	(445,260)	(352,701)	(1,103,363)	(224,626)	(69,587)
Net income	₱2,418,191	₱2,709,268	₱3,758,852	(₱3,188,466)	(₱1,424,286)	(₱1,485,673)
Total assets	₱69,282,581	₱101,335,787	₱69,288,795	(₱34,368,711)	(₱85,751,310)	(₱55,765,377)
Total liabilities	₱43,584,546	₱64,108,438	₱46,388,275	₱73,506,753	₱27,218,261	₱21,569,005
Depreciation and amortization	₱13,950	₱8,612	₱10,569	₱577,782	₱386,345	₱459,798
Provision for impairment and credit losses	₱—	₱—	₱—	(₱201,104)	(₱171,399)	(₱201,004)
Capital expenditures	₱66,145	₱5,922	₱12,812	₱896,254	₱1,059,949	₱433,400

	Total		
	2014	2013	2012
Results of Operations			
Net interest income			
Third party	₱14,088,747	₱9,935,991	₱8,062,341
Intersegment	—	—	—
	14,088,747	9,935,991	8,062,341
Other operating income	4,759,276	5,160,591	5,793,614
Total revenue	18,848,023	15,096,582	13,855,955
Other operating expense	(12,169,547)	(9,321,598)	(8,430,657)
Income before income tax	6,678,476	5,774,984	5,425,298
Provision for income tax	(1,564,927)	(674,536)	(422,288)
Net income	₱5,113,549	₱5,100,448	₱5,003,010
Total assets	₱470,939,997	₱413,697,923	₱324,160,047
Total liabilities	₱414,373,948	₱368,298,224	₱281,421,842
Depreciation and amortization	₱923,200	₱752,886	₱825,296
Provision for impairment and credit losses	₱440,901	₱414,336	₱236,756
Capital expenditures	₱1,063,904	₱1,165,241	₱672,251



31. Earnings Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

	2014	2013	2012
a. Net income attributable to equity holders of the parent	₱5,116,396,788	₱5,103,258,492	₱5,018,197,140
b. Weighted average number of common shares outstanding* (Note 22)	1,662,092,229	1,560,291,780	1,560,291,780
c. EPS (a/b)	₱3.08	₱3.27	₱3.22

*Weighted average number of outstanding common shares in 2013 and 2012 was recomputed after giving retroactive effect to stock rights and stock dividends distributed in 2014 (Note 22).

As of December 31, 2014, 2013 and 2012, there were no outstanding dilutive potential common shares. Before consideration of the stock rights and 8.00% stock dividends distributed in 2014, the EPS for 2013 and 2012 were ₱3.57 and ₱3.51, respectively.

32. Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Return on average equity	9.90%	11.31%	12.22%	9.90%	11.53%	12.54%
Return on average assets	1.12%	1.45%	1.71%	1.30%	1.53%	1.79%
Net interest margin	3.30%	2.98%	2.90%	3.20%	2.94%	2.91%

33. Non-cash Investing Activities

The following is a summary of certain non-cash investing activities that relate to the analysis of the statements of cash flows:

	Consolidated		
	2014	2013	2012
Addition to investment properties from settlement of loans	₱1,543,024,040	₱504,757,989	₱204,077,996
Fair value gain in AFS financial assets	202,452,332	(1,441,364,235)	(432,619,037)
Addition to equity investment	145,027,616	—	—
Cumulative translation adjustment	(86,686,308)	131,858,279	(90,847,759)
Addition to non-current assets held for sale from settlement of loan	84,486,024	16,013,040	18,704,256
Addition to chattel mortgage from settlement of loans	22,943,379	16,391,313	12,437,314



	Parent Company		
	2014	2013	2012
Addition to investment properties from settlement of loans	₱498,254,955	₱419,628,959	₱122,668,392
Fair value gain in AFS financial assets	188,354,408	(1,418,820,683)	(423,504,964)
Addition to equity investment	145,027,616	—	—
Cumulative translation adjustment	(87,714,557)	131,858,279	(90,847,759)
Addition to chattel mortgage from settlement of loans	7,817,379	9,809,868	12,437,314

34. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

December 31, 2014						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Currency forwards	₱120,866,010	₱—	₱120,866,010	₱12,974,203	₱—	₱107,891,807
IRS	12,369,127	—	12,369,127	9,689,323	—	2,679,804
	₱133,235,137	₱—	₱133,235,137	₱22,663,526	—	₱110,571,611
Financial liabilities						
Bills payable	₱4,271,039,515	₱—	₱4,271,039,515	₱5,328,707,748	₱338,096,552	₱—
Currency forwards	12,974,203	—	12,974,203	12,974,203	—	—
IRS	33,816,246	—	33,816,246	9,689,323	4,975,922	19,151,001
	₱4,317,829,964	₱—	₱4,317,829,964	₱5,351,371,274	₱343,072,474	₱19,151,001
December 31, 2013						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Currency forwards	₱91,810,464	₱—	₱91,810,464	₱33,859,983	₱—	₱57,950,481
IRS	10,979,876	—	10,979,876	6,871,366	—	4,108,510
	₱102,790,340	₱—	₱102,790,340	₱40,731,349	₱—	₱62,058,991
Financial liabilities						
Bills payable	₱8,240,891,256	₱—	₱8,240,891,256	₱10,740,888,564	₱114,332,529	₱—
Currency forwards	63,348,024	—	63,348,024	33,859,983	—	29,488,041
IRS	35,492,428	—	35,492,428	6,871,366	12,705,550	15,915,512
	₱8,339,731,708	₱—	₱8,339,731,708	₱10,781,619,913	₱127,038,079	₱45,403,553

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.



35. Approval of the Financial Statements

The accompanying consolidated and parent company financial statements were authorized for issue by the Parent Company's BOD on March 4, 2015.

36. Supplementary Information Under RR No. 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2014.

Gross receipts tax	₱698,458,113
Local taxes	50,673,776
Fringe benefit tax	5,246,663
Others	614,523,912
Balance at end of year	₱1,368,902,464

Withholding Taxes

Details of total remittances of withholding taxes in 2014 and amounts outstanding as of December 31, 2014 are as follows:

	Total remittances	Amounts outstanding
Final withholding taxes	₱621,373,714	₱35,976,626
Withholding taxes on compensation and benefits	481,906,675	26,285,168
Expanded withholding taxes	99,533,201	5,488,422
	₱1,202,813,590	₱67,750,216



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
China Banking Corporation
8745 Paseo de Roxas cor. Villar St.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of China Banking Corporation and Subsidiaries (the Group) and the parent company financial statements of China Banking Corporation (the Parent Company) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 4, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respect, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751290, January 5, 2015, Makati City

March 4, 2015



CHINA BANKING CORPORATION
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DECEMBER 31, 2014

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CHINA BANKING CORPORATION
8745 Paseo de Roxas corner Villar Street Makati City

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2014

Unappropriated Retained Earnings, Beginning		₱29,261,041,727
Adjustments:		
Prior years non-actual/unrealized income net of tax (2007-2013)	₱2,337,686,927	
Transfer of revaluation increment to surplus	1,277,277,435	
	<u>3,614,964,362</u>	<u>(3,614,964,362)</u>
Unappropriated Retained Earnings, As adjusted, Beginning		<u>25,646,077,365</u>
 Add: Net income actually earned/realized during the period	 5,114,572,250	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain- net (except those attributable to Cash and Cash Equivalents)	154,585,206	
Unrealized actuarial gain	—	
Fair value adjustments (Mark-to-Market gains)	45,274,167	
Fair value adjustments of Investment Property resulting to gain	101,807,810	
Adjustments due to deviation from PFRS/GAAP - gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Sub-total	<u>301,667,183</u>	
 Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP - loss	—	
Provision for deferred taxes	65,411,675	
Loss on fair value adjustment on investment property (after tax)	368,118,314	
	<u>433,529,989</u>	
 Net income actually earned/ realized during the period		5,246,435,056
 Less: Dividend declarations during the period		
Cash dividend	1,589,271,536	
Stock dividend	1,271,427,810	
Appropriation of Retained Earnings during the period	24,937,150	
Treasury shares	—	
	<u>2,885,636,496</u>	
		(2,885,636,496)
 Unappropriated Retained Earnings, Ending, Available for Dividend		<u>₱28,006,875,925</u>

CHINA BANKING CORPORATION
SCHEDULE III
LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
EFFECTIVE AS OF DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements					
Conceptual Framework Phase A: Objectives and qualitative Characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓			
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs				
PFRS 2	Share Based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination				✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
PFRS 4	Insurance Contracts			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			
	Amendment to PFRS 5: Changes in methods of disposal				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9				✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets				✓
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets				✓
PFRS 9	Financial Instruments				✓
	Financial Instruments: Classification and Measurement of Financial Assets				✓
	Financial Instruments: Classification and Measurement of Financial Liabilities				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9				✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Transition Guidance			✓	

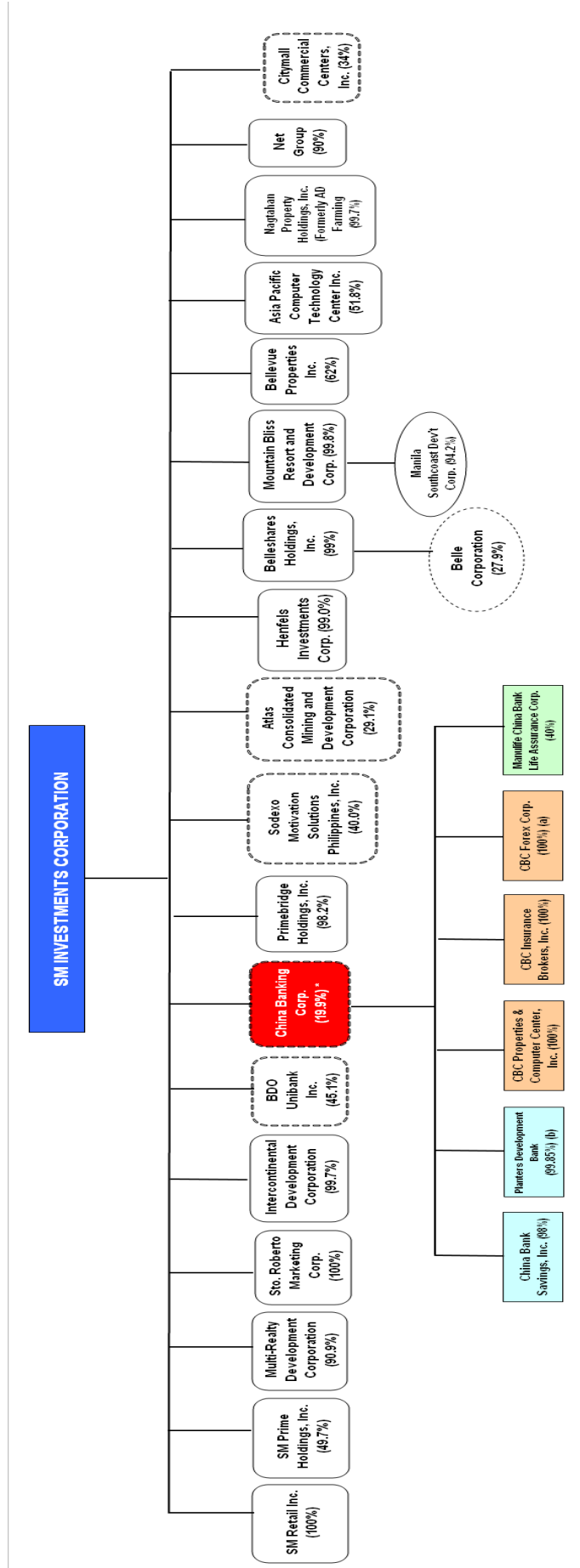
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓	
PFRS 11	Joint Arrangements			✓	
	Amendments to PFRS 11: Transition Guidance			✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓	
PFRS 12	Disclosure of Interest in Other Entities	✓			
	Amendments to PFRS 12: Transition Guidance			✓	
	Amendments to PFRS 12: Investment Entities			✓	
PFRS 13	Fair Value Measurements	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosure	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
PAS 2	Inventories			✓	
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 18	Revenue	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓	
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution				✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue				✓
PAS 19 (Amended)	Employee Benefits	✓			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation	✓			
PAS 23 (Revised)	Borrowing Costs			✓	
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27	Consolidated and Separate Financial Statements	✓			
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities			✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓		
PAS 28	Investments in Associates and Joint Ventures			✓	
PAS 28 (Amended)	Investments in Associates	✓			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures			✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities				✓
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'	✓			
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			

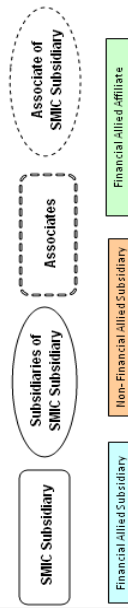
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transaction			✓	
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓			
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 8	Scope of PFRS 2			✓	
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	Interim Financial Reporting and Impairment	✓			
IFRIC 11	PFRS 2- Group and Treasury Share Transactions(Replaced by amendments to PFRS 2)			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Investment			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC - 7	Introduction of the Euro			✓	
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC - 12	Consolidation - Special Purpose Entities			✓	
	Amendment to SIC - 12: Scope of SIC 12			✓	
SIC - 13	Jointly Controlled Entities - Non Monetary Contributions by Venturers			✓	
SIC - 15	Operating Leases - Incentives			✓	
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC - 29	Service Concession Arrangements: Disclosures			✓	
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC - 32	Intangible Assets - Web Site Costs			✓	

SCHEDULE III
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT
SUBSIDIARIES, AN ASSOCIATE, AND JOINT VENTURE



Legend:



Notes:
 (a) For dissolution
 (b) For merger
 % Refers to Effective Ownership

China Banking Corporation
Schedule A – Financial Assets
December 31, 2014

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Income accrued
<u>Held for trading financial assets</u>			
Treasury Notes	P1,830,823,459	P1,992,773,785	P25,386,735
Government Bonds	1,095,332,538	1,242,159,771	16,623,116
Treasury Bills	72,000	71,826	–
Private Bonds and Commercial Papers	1,013,169,400	997,631,752	8,677,350
Financial assets designated at FVPL	51,832,070 shares	3,918,504,492	8,098,761
Derivative assets	19,529 shares		
	280,823,693	289,557,062	3,110,881
		P8,440,698,688	P61,896,843
<u>Available for sale investments</u>			
Treasury Notes	P14,491,233,411	P19,132,572,149	P197,803,277
Government Bonds	14,533,778,339	16,351,477,123	37,759,224
Private Bonds	2,732,834,009	2,806,856,522	20,602,227
Equities	42,439,127 shares	185,946,518	–
		P38,476,852,312	P256,164,729
<u>Held-to-Maturity</u>			
Government Bonds	P11,662,921,811	P11,754,049,239	P269,063,885
Private Bonds	361,561,200	355,294,365	4,073,840
	P12,024,483,011	P12,109,343,604	P273,137,726

China Banking Corporation
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)
December 31, 2014

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period
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The Group has no receivables from directors, officers, employees, related parties and principal stockholders that did not arise from ordinary course of business.

China Banking Corporation
Schedule C - Amounts Receivable from Related Parties which are eliminated
during the consolidation of financial statements
December 31, 2014

(Amounts in Thousands)

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period
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None to Report

China Banking Corporation
Schedule D - Intangible Assets - Other Assets
December 31, 2014

Description ⁽ⁱ⁾	Beginning Balance	Additions at Cost ⁽ⁱⁱ⁾	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) ⁽ⁱⁱⁱ⁾	Ending Balance
Branch Licenses	P837,600,000	P1,589,500,000	P-	P-	P-	P2,427,100,000
Goodwill	222,841,201	1,268,798,088	-	-	-	1,491,639,289

⁽ⁱ⁾ The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

⁽ⁱⁱ⁾ For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

⁽ⁱⁱⁱ⁾ If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

China Banking Corporation
Schedule E - Long-Term Debt
December 31, 2014

Title of issue and type of obligation ⁽ⁱ⁾	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related balance sheet ⁽ⁱⁱ⁾	Amount shown under caption “Long-Term Debt” in related balance sheet ⁽ⁱⁱⁱ⁾	Interest Rate %	Maturity Date
Bills Payable (Interbank loans)					
Citibank N.A. Manila	P-	P-	P2,236,000,015	1.69%	September 30, 2016
Barclays Bank London		2,035,039,500	-	1.40%	December 17, 2015
Wells Fargo Miami		894,400,000	-	0.92%	January 21, 2015
		2,929,439,500	2,236,000,015		

Bills payable (Land Bank of the Philippines)

Alpha Angelicum Academy, Inc	-	657,213	5.13%	May 13, 2016
Alfredo P. Go DBU Good Taste	-	35,909,091	4.00%	June 29, 2021
Baguio Achievers Academy, Inc	-	1,666,666	4.00%	September 26, 2018
Baliuag University Corporation	-	104,244,062	5.06%	December 14, 2018
Del Monte Motor Works, Inc	28,087,500	-	4.00%	May 7, 2015
HBC Inc	-	176,400,000	4.00%	July 31, 2019
Jose Feliciano Colleges, Inc.	-	10,955,556	4.02%	August 5, 2020
Leewel'S Vibro Plant Inc / Por	-	20,833,333	4.02%	December 14, 2018
Leewel'S Vibro Plant Inc / Sps	-	27,856,500	4.02%	March 28, 2018
Liangco Foods And Allied Services	-	43,129,635	4.00%	May 23, 2023
Lyceum Of Alabang Inc.	-	61,923,077	4.00%	July 27, 2021
Monol International Education	-	2,130,556	4.00%	November 26, 2019
Nutrimix Feeds Corporation	-	20,000,000	4.00%	June 28, 2017

Title of issue and type of obligation ⁽ⁱ⁾	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet ⁽ⁱⁱ⁾	Amount shown under caption "Long-Term Debt" in related balance sheet ⁽ⁱⁱⁱ⁾	Interest Rate %	Maturity Date
Panaderia Antonio Food Corporation	–	–	11,142,857	4.00%	November 27, 2020
Panorama Property Ventures, Inc	–	–	59,722,222	5.06%	July 20, 2018
Panorama Property Ventures, Inc	–	9,826,667	–	5.06%	June 29, 2015
Philippine Cut Flower Corp.	–	–	4,800,000	5.06%	April 21, 2017
Razon'S Food Corporation	–	–	9,255,556	4.00%	June 27, 2018
Reina Properties, Inc.	–	–	719,446	4.02%	June 16, 2016
Small World Christian School Foundation	--	--	2,981,482	8.66%	July 13, 2018
Small World Christian School Foundation	--	--	8,148,148	4.	April 19, 2022
Sol Y Viento Mountain Hot Spring	--	--	90,000,000	5.41%	December 14, 2018
Sps.Domer & Imelda Rubiano	–	–	4,000,000	4.00%	September 28, 2020
STI College Santa Rosa, Inc.	–	–	5,666,666	4.02%	November 13, 2017
STI College Santa Rosa, Inc.	–	–	1,587,263	4.00%	June 26, 2020
Water World Grand Resort, Inc.	–	–	4,499,937	4.00%	April 5, 2023
	37,914,167		708,229,266		
Bills payable (Development Bank of the Philippines)					
Nena's Garden and Catering Services	–	–	1,111,111	4.00%	January 28, 2016
Cherched Bros. Realty Corp.	1,109,666	–	–	4.00%	May 31, 2015
Bently Realty Corporation	–	–	5,950,000	4.00%	June 8, 2019
LMS Industries / Sps. Vicente & Loreta Sanido	3,333,334	–	–	5.35%	October 30, 2015
Uni Lucky Manufacturing Corp..	1,500,000	–	–	6.73%	April 20, 2015
	5,943,000		7,061,111		

Title of issue and type of obligation ⁽ⁱ⁾	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related balance sheet ⁽ⁱⁱ⁾	Amount shown under caption “Long-Term Debt” in related balance sheet ⁽ⁱⁱⁱ⁾	Interest Rate %	Maturity Date
Bills payable (Small Business Guaranty and Finance Corp-SEL)					
A.M. Sanchez Construction		304,194	–	5.75%	May 14, 2015
Armkin Trading		–	6,580,421	5.00%	January 21, 2018
Entom Pest Control & General S		141,502	–	5.75%	May 31, 2015
Gemcore Industrial Resources		–	4,418,104	5.75%	March 8, 2016
Global Paper Corporation		–	200,190	5.75%	January 26, 2016
Global Paper Corporation		–	420,000	5.75%	February 11, 2016
Green Star Express, Inc.		2,400,000	–	5.50%	June 29, 2015
Green Star Express, Inc.		–	8,100,000	5.00%	November 29, 2017
Herbotika Enterprise		346,808	–	5.75%	June 9, 2015
Juvicor Trading & Construction		–	2,560,000	5.50%	January 21, 2018
LMR Machinery		–	720,385	5.00%	January 21, 2018
LMR Machinery		–	1,403,492	5.30%	May 29, 2016
Manor Variety Store, Etc.		73,110	–	5.75%	August 23, 2015
Puentespina Orchids & Tropical		–	4,623,613	5.50%	January 16, 2018
Rosary Hills International Sch		149,609	–	5.75%	January 8, 2015
Sps Ruben & Merlita R. Banayat		–	2,561,556	5.75%	March 8, 2016
St. Martha'S Day Care And Tuto		–	1,951,689	5.50%	September 26, 2018
Top Labels, Inc.		1,944,385	–	6.50%	November 19, 2015
Tygie Corporation		480,328	–	5.75%	April 23, 2015
Western Pangasinan Pangasinan		454,962	–	5.75%	March 30, 2015
Wet Ones Autoshop & Supplies		101,273	–	5.75%	July 8, 2015

Title of issue and type of obligation ⁽ⁱ⁾	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet ⁽ⁱⁱ⁾	Amount shown under caption "Long-Term Debt" in related balance sheet ⁽ⁱⁱⁱ⁾	Interest Rate %	Maturity Date
Will School Of Antipolo, Inc.		445,346	–	5.75%	October 1, 2015
3M Heritage General Merchandis		408,757	–	5.75%	July 15, 2015
		7,250,274	33,539,450		

Bills payable (Social Security Services-KASAPI)

Berche Marketing Company	–	15,016,667	3.00%	September 30, 2023
Binangonan Lakeview Hospital,I	–	49,576,271	3.00%	August 30, 2024
Business Masters Inc.	–	5,941,667	3.00%	September 28, 2022
CCMC Land, Inc.	–	23,012,500	3.00%	June 28, 2018
Davao Metro Shuttle Corporation	–	6,540,625	3.00%	February 10, 2017
Gromix Poultry Farm, Inc.	7,000,000	–	2.75%	April 24, 2015
Highlander Development Corpora	–	16,431,250	3.00%	August 31, 2017
Kalayaan Development And Indus	–	10,498,235	2.75%	June 29, 2016
Kalayaan Development And Indus	527,647	–	2.50%	December 31, 2014
M.B. Guinez Enterprises, Incor	–	8,834,483	4.00%	November 12, 2023
Maylor's Plaza Inc.	–	6,870,370	3.00%	October 11, 2023
Nelson Lau De Ayre Dbu One Sto	–	23,200,000	4.75%	March 21, 2025
Panorama Property Ventures, In	–	47,916,667	3.00%	October 25, 2018
SOCOR Construction Corporation	10,500,000	–	2.50%	February 28, 2015
Sps.Alejandro & Grace Adaptar	8,710,000	–	2.75%	May 22, 2015
Sps.Alvin Taposok&Precilla Tap	–	6,461,434	3.00%	May 22, 2018
Sps.Edgar & Janet Loza Dbu Loz	–	5,888,889	3.00%	October 11, 2023
Sps.Hermes Jr.&Jennifer Bordio	18,200,000	–	2.50%	March 21, 2015
Sps.Jeffrey G.& Joan Luise O.	–	19,382,278	5.25%	October 19, 2023

Title of issue and type of obligation ⁽ⁱ⁾	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet ⁽ⁱⁱ⁾	Amount shown under caption "Long-Term Debt" in related balance sheet ⁽ⁱⁱⁱ⁾	Interest Rate %	Maturity Date
Sps. Jeffy Castillon & Jimera		–	7,829,726	3.00%	April 10, 2018
Sps. Rodolfo T. & Janet K. Yap Db		–	6,979,167	3.00%	July 5, 2020
St. Joseph College Of Bulacan, I		–	4,026,490	3.75%	March 26, 2018
Tier Of Outstanding Profession		–	858,400	3.00%	December 13, 2018
Victor R. Del Rosario Rice Mil		45,000,000	–	2.50%	June 30, 2015
		89,937,647	265,265,119		

China Banking Corporation
Schedule F - Indebtedness to Related Parties
(Long-term from Related Companies)
December 31, 2014

Name of Related Parties ⁽ⁱ⁾	Balance at beginning of period	Balance at end of period ⁽ⁱⁱ⁾
--	--------------------------------	--

None to Report

⁽ⁱ⁾ The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.

⁽ⁱⁱ⁾ For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

China Banking Corporation
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2014

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding ⁽ⁱ⁾	Amount owned by person of which statement is filed	Nature of guarantee ⁽ⁱⁱ⁾
--	---	---	--	-------------------------------------

None to Report

- (i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- (ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

China Banking Corporation
Schedule H - Capital Stock
December 31, 2014

(Absolute numbers of shares)

Title of Issue ⁽ⁱ⁾	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties ⁽ⁱⁱ⁾	Directors, officers and employees	Others ⁽ⁱⁱⁱ⁾
Common stock - ₱10 par value						
Authorized - shares	2,500,000,000					
Issued and outstanding		1,427,661,658				
Balance at beginning of year		161,609,878				
Stock rights		127,142,781				
Stock dividends		1,716,414,317		549,557,476	48,749,454	1,118,107,387

On May 8, 2014, the BOD approved the increase in the Bank's authorized capital stock from ₱20.00 billion to ₱25.00 billion, or from 2.00 billion to 2.50 billion shares with par value of ₱10.00 per share. This was ratified by the stockholders on May 8, 2014. The increase in the Bank in authorized capital stock was approved by the BSP and the SEC on August 7, 2014 and August 29, 2014, respectively.

⁽ⁱ⁾ Include in this column each type of issue authorized

⁽ⁱⁱ⁾ Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

⁽ⁱⁱⁱ⁾ Indicate in a note any significant changes since the date of the last balance sheet filed.

CHINA BANKING CORPORATION
SCHEDULE I- FINANCIAL SOUNDNESS INDICATORS

	2014	2013	2012
<i>PROFITABILITY (%)</i>			
Return on Assets	1.12	1.45	1.71
Return on Equity	9.90	11.31	12.22
Net Interest Margin	3.30	2.98	2.90
Cost to Income Ratio	62.23	59.00	59.14
<i>LIQUIDITY (%)</i>			
Liquid Assets to Total Assets	32.91	42.80	36.47
Loans (net) to Deposit Ratio	72.73	62.25	69.90
<i>ASSET QUALITY (%)</i>			
Gross Non-Performing Loans Ratio	2.24	1.99	2.55
Non-performing Loan (NPL) Cover	101.25	146.62	134.88
<i>SOLVENCY RATIOS</i>			
Debt to Equity Ratio	7.33	8.11	6.58
Asset to Equity Ratio	8.33	9.11	7.58
Interest Rate Coverage Ratio	2.55	2.39	2.07
<i>CAPITALIZATION (%)</i>			
Capital Adequacy Ratio			
Tier 1	13.95	14.50	15.15
Total CAR	14.88	15.39	16.00

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is filed for the Year: 2014 Consolidated ACGR (updated as of March 2015)
2. Exact Name of Registrant as Specified in its Charter: **China Banking Corporation**
3. Address of principal office: **China Bank Bldg., 8745 Paseo de Roxas** Postal Code: **1226**
cor. Villar St., Makati City
4. SEC Identification Number: **443**
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **320-000-444-210**
7. Issuer's telephone number, including area code: **(632) 885-5555**
8. Former name or former address, if changed from the last report: **Not applicable**

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Henry Sy, Sr.	Honorary Chairman	N/A	Board of Directors	May 18, 2006	May 18, 2006*	Organizational Meeting	N/A
Hans T. Sy	NED	N/A	Sysmart Corporation	May 21, 1986	May 8, 2014	Annual Meeting	28
Gilbert U. Dee	ED	N/A	Linda Susan T. Mendoza	May 6, 1969	May 8, 2014	Annual Meeting	45
Peter S. Dee**	NED	N/A	Nancy D. Yang	April 14, 1977	May 8, 2014	Annual Meeting	37
Joaquin T. Dee	NED	N/A	Christopher T. Dee	May 10, 1984	May 8, 2014	Annual Meeting	30
Dy Tiong	ID	N/A	Johnny Cheng T.K. Jr., son-in-law	May 9, 1985	May 8, 2014	Annual Meeting	29
Herbert T. Sy	NED	N/A	Sysmart Corporation	January 7, 1993	May 8, 2014	Annual Meeting	21
Harley T. Sy	NED	N/A	SM Investments Corporation	May 4, 2001	May 8, 2014	Annual Meeting	13
Alberto S. Yao	ID	N/A	Lucky Securities, Inc., no relation	July 7, 2004	May 8, 2014	Annual Meeting	10
Roberto F. Kuan	ID	N/A	Regina Capital Development Corporation, no relation	May 5, 2005	May 8, 2014 (3 years)	Annual Meeting	9
Jose T. Sio	NED	N/A	SM Investments Corporation	November 7, 2007	May 8, 2014	Annual Meeting	7
Ricardo R. Chua	ED	N/A	Zenaida C. Milan	May 8, 2008	May 8, 2014	Annual Meeting	6

* Election formalized on February 7, 2007, after clearances were obtained from the regulators.

**Mr. Peter S. Dee continue to be a director of the Bank after his retirement as President & CEO effective September 1, 2014.

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Corporate Governance Policy

The Board of Directors, Management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake greater effort necessary to create more and continuing awareness within the organization.

¹ Reckoned from the election immediately following January 2, 2012.

The Bank adheres to the following basic principles of good governance:

- a. **Transparency** or the availability of information through expansion of public disclosure requirements.
- b. **Accountability** involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the Bank.
- c. **Fairness** or equity implies that the rights of all concerned parties are protected. Directors should not only promote the interest of the stockholders but also that of other stakeholders such as depositors, investors, borrowers and the banking public in general.
- d. **Integrity** or strict adherence to a moral code, reflected in transparent honesty and complete harmony in what one thinks, says, and does.

Treatment of Shareholders

At China Bank, we have always been driven by our commitment to be a catalyst of wealth creation, developing our products and services, and shaping our operations around the needs of our customers, shareholders, and the communities we serve.

In 2012, we continued to live up to this commitment, adapting to the changing times and approaching challenges and opportunities confidently while remaining true to our mission—“your success is our business.”

Vision

Drawing strength from our rich history, we will be the best, most admired and innovative financial services institution, partnering with our customers, employees, and shareholders in wealth creation.

Mission

We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals, here and abroad, to meet their financial needs and exceed their rising expectations.

We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly motivated team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology.

We will maintain the highest ethical standards, sense of responsibility and fairness with respect to our customers, employees, shareholders, and the communities we serve.

Respect for the Rights of Minority Shareholders

The Board of China Bank is committed to respect the following rights of the stockholders (as provided for in the Corporation Code):

- a. **Voting Rights**, which are, right to elect, remove and replace directors through cumulative voting; to vote on corporate acts. In this regard, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- b. **Pre-emptive Right**, unless denied in the articles of incorporation, which includes the right to subscribe to the capital stock of the Bank.

- c. **Power to inspect** corporate books and records including minutes of Board meetings and stock registries. Without cost or restrictions, they also have the right to be furnished with annual reports and financial statements.

- d. **Right to information**

The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

- e. **Right to receive dividends.** Shareholders shall have the right to receive dividends subject to the discretion of the Board.

The Bank shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board; or b) when the Bank is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Bank, such as when there is a need for special reserve for probable contingencies.

- f. **Appraisal Right.**

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- a. *In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;*
- b. *In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and*
- c. *In case of merger or consolidation.*
- d. *It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic*

filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Disclosure and Transparency Policies

The Bank is committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of our corporate governance.

All material information, i.e., anything that could potentially affect share price and volume shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, off balance sheet transactions, board changes, related party transactions, shareholdings of directors, direct and indirect remuneration of members of the Board and Management, and changes to ownership.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

The Bank, as an Issuer of listed stocks, is prohibited to communicate material non-public information about the Issuer to any person, unless the Issuer is ready to simultaneously disclose the material non-public information to the Securities and Exchange Commission. This rule does not apply if the disclosure is made to:

- 1. A person who is bound by duty to maintain trust and confidence to the Issuer such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and*
- 2. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.*
- 3. The Issuer shall establish and implement internal control that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with the requirement of this rule.*

Disclosure Duties

In compliance with pertinent part of Section 13.1 of the PSE Revised Disclosure Rules, Directors and Principal Officers of the Bank are required to immediately report any buy/sell transaction for China Bank shares and to submit the copy of the confirmation of the transaction to the Office of the Bank's Corporate Secretary for submission to the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE).

Board Responsibilities

The following Powers/Responsibilities, Duties and Functions of the Board of Directors are in the Bank's Corporate Governance Manual:

1. *Powers and Authority of the Board of Directors*²

Powers of the board of directors. The corporate powers of China Bank shall be exercised, its business conducted and all its property shall be controlled and held by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

2. *General Responsibility of the Board of Directors*³

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

2.1 The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.

*2.2 It is the Board's responsibility to foster the long-term success of China Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.*⁴

*2.3 The Board should formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.*⁵

3. *Specific Duties and Responsibilities of the Board of Directors*⁶

3.1 To approve and monitor the implementation of strategic objectives. Consistent with the institution's strategic objectives, business plans shall be established for the bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the bank's long-term financial interests, its level of risk tolerance and its ability to manage risk effectively. The board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.

The board shall likewise ensure that the bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

3.2 To approve and oversee the implementation of policies governing major areas of banking operations. The board shall approve policies on all major business activities, e.g., investments, loans, asset and liability management, trust, business planning and budgeting. The board shall accordingly define the bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

² X141.3 (a) of the MORB, as amended

³ *ibid*, item (b)

⁴ Article 3.F of the Revised Code of Corporate Governance

⁵ *ibid*

⁶ Sec X141.3 (c) of the MORB, as amended

The board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures, equity investments and divestments. The board shall also establish the limits of the discretionary powers of each officer, committee, sub-committee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the bank to significant risks.

In relation to the above, the powers of the board are set out in Section 1, Article IV of the Bank's By-laws.

3.3 To approve and oversee the implementation of risk management policies. *The board of directors shall be responsible for defining the bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations. The risk management policy shall include:*

3.3.1 a comprehensive risk management approach;

3.3.2 a detailed structure of limits, guidelines and other parameters used to govern risk-taking;

3.3.3 a clear delineation of lines of responsibilities for managing risk;

3.3.4 an adequate system for measuring risk; and

3.3.5 effective internal controls and a comprehensive risk-reporting process. The board of directors shall ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of bank's overall risk exposures.

The board of directors shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

3.4 To oversee selection and performance of senior management. *It is the primary responsibility of the board of directors to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the bank's strategic objectives, and conduct regular review of bank's policies with the management team.*

3.4.1 The board of directors shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, should be the key considerations in the selection process. And because mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values for the institution. The board of directors shall replace members of senior management, when necessary, and have in place an appropriate plan of succession.

3.4.2 The board of directors shall regularly monitor the action of senior management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of senior management. The performance standards shall be consistent with bank's strategic objectives and business plans, taking into account the bank's long-term financial interest.

3.4.3 *The board of directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The board of directors shall set the frequency of meeting with senior management taking into account the size, complexity of operations and risk profile of the bank.*

3.4.4 *The board of directors shall regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues. The board of directors shall set the frequency of review taking into account the size, complexity of operations and risk profile of the bank.*

The board of directors shall ensure that senior management's expertise and knowledge shall remain relevant given the bank's strategic objectives, complexity of operations and risk profile.

3.5 ***To consistently conduct the affairs of the institution with a high degree of integrity.*** *Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity. The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. The board of directors shall:*

3.5.1 *Articulate clear policies on the handling of any transaction with DOSRI and other related parties ensuring that there is effective compliance with the law and regulations at all times and no stakeholder is unduly disadvantaged. In this regard, the board of directors shall define "related party transaction", which is expected to cover a wider definition than DOSRI under existing regulations and a broader spectrum of transactions (i.e., not limited to credit exposures), such that relevant transactions that could pose material risk or potential abuse to the bank and its stakeholders are captured.*

3.5.2 *Require the bank's stockholders to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties.*

It shall be the responsibility of the Office of the Corporate Secretary to comply with the above requirements.

3.5.3 *Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.*

3.5.4 *Articulate policies that will prevent the use of the facilities of the bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.*

3.5.5 *Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employee's compensation scheme effectively aligned with prudent risk taking. The compensation scheme shall be adjusted for all types of risk and sensitive to the time horizon of risk. Further, the grant of compensation in forms other than cash shall be consistent with the overall risk alignment of the bank. The board of directors shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.*

- 3.5.6 *Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the bank at all times. Further, the board of directors shall ensure that all transactions involving the pension fund are conducted at arm's length terms.*
- 3.5.7 *Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board itself.*
- 3.5.8 *Articulate policies in communicating corporate values, codes of conduct and other standards in the bank as well as the means to confidentially report concerns or violations to an appropriate body.*
- 3.6 ***To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.*** *The board of directors, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance in the bank as seen by both internal and external stakeholders.*
 - 3.6.1 *The board of directors shall ensure that the bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the board of directors and Chief Executive Officer /President.*
 - 3.6.2 *The board of directors shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.*
 - 3.6.3 *The board of directors shall structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters. It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in board meetings shall be given full consideration and all such meetings shall be duly minuted.*
 - 3.6.4 *The board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.*
 - 3.6.5 *The board of directors shall establish a system of checks and balances which applies in the first instance to the board itself. Among the members of the board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the board over the chief executive officer and key managers and by the latter over the line officers of the bank. Checks and balances in the board shall be enhanced by appointing a chairperson who is a non-executive, whenever possible.*

3.6.6 *The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the bank itself, which may be facilitated by the corporate governance committee or external facilitators. The composition of the board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis.*

3.6.7 *The board shall ensure that individual members of the board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the bank's performance, financial condition and risk exposures. All members of the board shall have reasonable access to any information about the institution at all times. It shall also provide appropriate information that flows internally and to the public.*

3.7 To constitute committees to increase efficiency and allow deeper focus in specific areas. *The board of directors shall create committees, the number and nature of which would depend on the size of the bank and the board, the complexity of operations, long-term strategies and risk tolerance level of the bank.*

3.7.1 *The board of directors shall approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.*

3.7.2 *The board of directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the board of directors, shall appoint independent directors and non-executive members of the board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience, and effectiveness of the committees. Towards this end, an independent director who is a member of any committee that exercised executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Management and Corporate Governance committees, without prior approval of the Monetary Board.⁷*

3.7.3 *The board of directors shall ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective dispense of its functions.*

3.7.4 *The board of directors shall constitute, at a minimum, the following committees⁸:*

- a. *Executive Committee*
- b. *Audit Committee⁹*
- c. *Risk Management committee; and*

⁷ added by Circular No. 757 dated May 8, 2012

⁸ By-Laws of the Bank

⁹ Subsection XI41.3.c.7(d)(i) of the MORB

- d. Corporate Governance Committee
- e. Nomination¹⁰
- f. Compensation or Remuneration¹¹

3.8 To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. The board of directors shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified internal and external auditors as well as the risk and compliance officers in ensuring the safety and soundness of the operations of a bank on a going-concern basis and communicate the same through-out the bank. This shall be displayed by undertaking timely and effective actions on issues identified.

Further, non-executive board members shall meet regularly, other than in meetings of the audit committee and risk management committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

3.9 In group structures, the board of directors of the parent bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group. Towards this end, the board of directors of the parent bank shall ensure consistent adoption of corporate governance policies and systems across the group and shall carry-out the following duties and responsibilities:

- 3.9.1 *To define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the bank and its subsidiaries are exposed. The board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.*
- 3.9.2 *To define the level of risk tolerance for the group, which shall be linked to the process of determining adequacy of capital of the group.*
- 3.9.3 *To ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.*
- 3.9.4 *To establish a system for monitoring compliance of each entity in the group with all applicable policies, practices and systems.*
- 3.9.5 *To define and approve policies and clear strategies for the establishment of new structures.*
- 3.9.6 *To understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company bank. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances.*
- 3.9.7 *To develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.*

¹⁰ SEC Code of Corporate Governance

¹¹ *ibid*

- 3.9.8 *To require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board.*
- 3.9.9 *To disclose to the Bangko Sentral ng Pilipinas all entities in the group (e.g., owned directly or indirectly by the parent company bank and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the bank exerts control over or those that exert control over the bank, or those that are related to the bank and/or its subsidiaries/affiliates either through common ownership/ directorship/ officership) as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require board approval based on the bank's internal policies or as provided under existing regulations: Provided, That the bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.*

The following are additional duties and functions of the Board, as provided for under SEC Memo No. 6, Series of 2009.

- 3.10 *To ensure Bank's faithful compliance with all applicable laws, regulations and best business practices.*
- 3.11 *To establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Bank. The CEO shall exercise oversight responsibility over this program.*

The Investor Relations Office of China Bank is under the Corporate Planning Group.

- 3.12 *To adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Bank's internal control system in order to maintain its adequacy and effectiveness.*
- 3.13 *Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and independent siblings and parents, and of interlocking director relationships by members of the Board.*

In compliance with BSP Regulations on loans of DOSRI (Directors, Officers, Stockholders, and their Related Interest), DOSRI transactions are approved by the Board of Directors. A copy of the Transmittal on board approval is submitted to the BSP within twenty (20) banking days from the date of approval.¹²

- 3.14 *Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.*

¹² Section X335 of the 2009 MORB

- 3.15 To recommend to the stockholders, after consultation with the Audit Committee, an external auditor duly accredited by the BSP and/or by the Securities and Exchange Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.¹³

Note: The BSP also has its own accreditation of external auditors and may provide a list of its duly accredited external auditor.

The responsibilities of the board of directors and management are in no way diminished by the existence of a system for the supervision of FIs by BSP or by a requirement for the FI's financial statements to be audited by an external auditor.¹⁴

- 3.16 To appoint an independent full-time Compliance Officer or Group Compliance Officer.

*In case the total resources of the Bank exceed P 500 Million, an independent full-time Compliance Officer should be appointed.*¹⁵

Note: Section VI.A of the Bank's corporate governance manual provides more details on the Compliance Officer.

- 3.17 To adopt an effective succession planning program for the Management. (SEC Memo No. 6 Series of 2009)

- (c) How often does the Board review and approve the vision and mission?

The Board reviews China Bank's mission and vision periodically and the corporate strategy annually. The rolling 5-year strategic plan is an integral part of the Board's annual planning session, and last year, the 2014 to 2018 plan was thoroughly reviewed by the Board, and after some deliberation, approved Management's projections and recommendations.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group¹⁶

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Hans T. Sy	SM Prime Holdings, Inc.	Executive Director
	Belleshare Holdings, Inc.	Non-Executive Director
	Multi-Realty Development Corporation	Executive Director
	Nagtahan Property Holdings, Inc.	Executive Director (Chairman)
	Primebridge Holdings, Inc.	Non-Executive Director
	SM Retail, Inc.	Executive Director
Gilbert U. Dee	CBC Properties and Computer Center, Inc.	Non-Executive Director (Chairman)
Peter S. Dee	CBC Properties and Computer Center, Inc.	Executive Director
	China Bank Insurance Brokers, Inc.	Non-Executive Director (Chairman)
	CBC Forex Corporation	Non-Executive Director (Chairman)
Joaquin T. Dee	None	N/A

¹³ Revised Code of Corporate Governance, Article 5.B

¹⁴ BSP Memorandum No. M – 2014-011, 14 March 2014, Section II.1.c.5

¹⁵ MORB, Section X180

¹⁶ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Dy Tiong	None	N/A
Herbert T. Sy	SM Prime Holdings, Inc.	Non- Executive Director
Harley T. Sy	SM Investments Corporation	Executive Director
	Nagtahan Property Holdings, Inc.	Non-Executive Director
	Primebridge Holdings, Inc.	Executive Director
	SM Retail, Inc.	Executive Director
Alberto S. Yao	China Bank Savings, Inc.	Independent Director
	Planters Development Bank	Independent Director
Roberto F. Kuan	China Bank Savings, Inc.	Independent Director
	Planters Development Bank	Independent Director
Jose T. Sio	SM Investments Corporation	Executive Director
	Belle Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non- Executive Director
Ricardo R. Chua	China Bank Savings, Inc.	Executive Director (Chairman)
	CBC Properties and Computer Center, Inc.	Non-Executive Director
	China Bank Insurance Brokers, Inc.	Non-Executive Director
	CBC Forex Corporation	Non-Executive Director
	Manulife Chinabank Life Assurance Corp.	Non-Executive Director
	Planters Development Bank	Executive Director

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Hans T. Sy	None	N/A
Gilbert U. Dee	None	N/A
Peter S. Dee	City & Land Developers, Inc.	Independent Director
	Cityland Development Corp.	Independent Director
Joaquin T. Dee	None	N/A
Dy Tiong	None	N/A
Herbert T. Sy	None	N/A
Harley T. Sy	None	N/A
Alberto S. Yao	None	N/A
Roberto F. Kuan	Far Eastern University, Inc.	Independent Director
Jose T. Sio	None	N/A
Ricardo R. Chua	None	N/A

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Hans T. Sy	SM Investments Corporation	He is Adviser to the Board. Further, Chairman Henry Sy, Sr. is his father.
Herbert T. Sy		Chairman Henry Sy, Sr. is his father.
Harley T. Sy		He is Director / President. Further, Chairman Henry Sy, Sr. is his father.
Jose T. Sio		He is Director and EVP-CFO.

<i>Hans T. Sy</i>	<i>Sysmart Corporation</i>	<i>Majority owner Henry Sy, Sr. is his father.</i>
<i>Herbert T. Sy</i>		<i>Majority owner Henry Sy, Sr. is his father.</i>
<i>Harley T. Sy</i>		<i>Majority owner Henry Sy, Sr. is his father.</i>

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	<p><i>The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.</i></p> <p><i>The same low limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</i></p>	<p><i>Low indicative limit on membership in other corporate Board.</i></p> <p><i>No director of the Bank is holding more than five (5) directorships in other publicly listed companies.</i></p>
Non-Executive Director	<p><i>The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.</i></p> <p><i>The same low limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</i></p>	<p><i>Low indicative limit on membership in other corporate Board.</i></p> <p><i>No director of the Bank is holding more than five (5) directorships in other publicly listed companies.</i></p>

	Guidelines	Maximum Number of Directorships in other companies
CEO	<p><i>The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.</i></p> <p><i>The same low limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</i></p>	<p><i>Low indicative limit on membership in other corporate Board.</i></p> <p><i>No director of the Bank is holding more than five (5) directorships in other publicly listed companies.</i></p>

(e) Shareholding in the Company (as of 31 December 2014)

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Hans T. Sy	1,405,350	747,058	0.125%
Gilbert U. Dee	9,132,984	0	0.532%
Ricardo R. Chua	93,155	0	0.005%
Peter S. Dee	1,116,967	0	0.065%
Joaquin T. Dee	33,014,215	0	1.923%
Dy Tiong	158,182	0	0.009%
Herbert T. Sy	326,428	0	0.019%
Harley T. Sy	74,403	0	0.004%
Alberto S. Yao	5,674	0	0.0003%
Roberto F. Kuan	21,570	0	0.001%
Jose T. Sio	2,248	0	0.0001%

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

Chairman of the Board	Mr. Hans T. Sy
CEO/President	Mr. Ricardo R. Chua*

* Effective September 1, 2014 to fill in the vacancy due to the retirement of Mr. Peter S. Dee effective August 31, 2014 subject to the confirmation of the Monetary Board.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> <i>1. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.</i> <i>2. To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.</i> <i>3. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.</i> <i>4. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, and</i> <i>5. Maintain qualitative and timely lines of communication and information between the Board and Management.</i> 	<p><i>Article VI.A. of the By-laws provides:</i></p> <p><i>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</i></p> <p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> <i>1. The CEO shall be subject to the control of the Board of Directors, have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank.</i> <i>2. In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.</i>
Accountabilities	<p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> <i>1. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.</i> <i>2. To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.</i> 	<p><i>Article VI.A. of the By-laws provides:</i></p> <p><i>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</i></p>

	Chairman	Chief Executive Officer
Accountabilities	<ol style="list-style-type: none"> 3. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary. 4. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, and 5. Maintain qualitative and timely lines of communication and information between the Board and Management. 	<p>The following are found in the Corporate Governance Manual:</p> <ol style="list-style-type: none"> 1. The CEO shall be subject to the control of the Board of Directors, have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank. 2. In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.
Deliverables	<p>The following are found in the Corporate Governance Manual:</p> <ol style="list-style-type: none"> 1. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members. 2. To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process. 3. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary. 4. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, and 5. Maintain qualitative and timely lines of communication and information between the Board and Management. 	<p>Article VI.A. of the By-laws provides:</p> <p>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</p> <p>The following are found in the Corporate Governance Manual:</p> <ol style="list-style-type: none"> 1. The CEO shall be subject to the control of the Board of Directors, have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank. 2. In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.

- 3) Explain how the board of directors' plan for the succession of the CEO/Managing Director/President and the top key management positions?

In accordance with the By-Laws, Vacancies in the Board, may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.

The Board of Directors may use professional search firms or other external sources of candidates when searching for candidates to the board of directors.

In accordance, with the Bank's Succession Planning and Management Program, the Bank identifies the successor's line up for the critical key positions and prepares a career development plan for them to follow.

Our Human Resources Division continued to focus on getting the right people even as we tapped more recruitment channels to keep in stride with the business requirement, and to bring in new talents as part of the succession planning.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

We welcome diversity in our Board and do not discriminate on age, gender, or ethnic background. The position of a China Bank director is a position of trust; thus, the directors are selected for their integrity, leadership, experience at policy-making levels, and their ability to render independent judgment.

Board age profile

50-60 27%

61-70 27%

71 and above 46%

To ensure diversity in the Board, and in accordance with the Bank's Corporate Governance Manual, a director should have the following minimum qualifications:

- 1. He shall at least be twenty-five (25) years of age at the time of his election or appointment;*
- 2. He shall be at least a college graduate or have at least five (5) years experience in business;*
- 3. He must have attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP: Provided, That incumbent directors as well as those elected after 17 September 2001 must attend said seminar on or before 30 June 2003 or within a period of six (6) months from date of election for those elected after 30 June 2003, as the case may be; and*

In relation to the above, It shall be the responsibility of the Corporate Secretary to ensure that the director concerned has attended the required seminar.

- 4. He must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters*

must be considered: integrity/probity, physical/mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/ experience.

The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, The Bank has ensured that at least one non-executive director has an experience in the financial or banking sector.

The table below highlights the experience details of the Bank's non-executive directors in the financial sector:

Name of the Non-Executive Director	Experience details
<i>Dy Tiong</i>	<i>Formerly President of CBC Finance, Inc. from 1980 to 2001</i>
<i>Harley T. Sy</i>	<i>President of SM Investment Corporation</i>
<i>Jose T. Sio</i>	<i>Partner of Sycip Gorres Velayo & Co. (SGV) from 1977-1990, Director of BDO Capital Investment Corp from 1999-2007, EVP and Chief Financial Officer of SM Investments</i>

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<p>Article VI.A. of the By-laws provides:</p> <p>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</p>	<p>Section IV.A.1 of the Corporate Governance Manual provides that:</p> <p>...qualified non-executive members shall be elected to promote the independence of the board from the views of senior management.</p> <p>The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process.</p>	<p>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</p> <p>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</p>

Accountabilities	<ol style="list-style-type: none"> 1. Fostering a corporate culture that will promote ethical practice. 2. Bringing positive business results. 3. Developing a long-term strategy and vision for the Bank that would lead to the creation of shareholder value. 4. Establishing a strong working relationships with the Board of Directors 5. Keeping the Board of the Bank well informed about the Bank's performance, financial conditions, events that may affect the business, as well as available opportunities for the Bank to grow. 6. Ensuring that the Bank has an effective management team below the CEO level and has a working plan for its development and succession. 	<p>Section IV.A.1 of the Corporate Governance Manual provides that:</p> <p>...qualified non-executive members shall be elected to promote the independence of the board from the views of senior management.</p> <p>The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process.</p>	<p>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</p> <p>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</p>
Deliverables	<ol style="list-style-type: none"> 1. Improve Bank's Performance. 2. Create Value to Shareholder. 3. Establish and Implement a Strategic Plan. 	<p>In accordance with the Bank's Corporate Governance Manual.</p> <p>Non-executive board members shall meet regularly, other than in meetings of the audit committee and risk management committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.</p>	<p>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</p> <p>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</p>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.

Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.

We fully comply with the corporate governance rules of the SEC with regard to the nomination and election of our independent directors. We have three independent directors—Dy Tiong, Alberto S. Yao, and Robert F. Kuan—who are in the Board to exercise independent judgment and protect the rights of minority shareholders, acting objectively and challenging management decisions if warranted to ensure efficient and transparent management, especially on areas of related party transactions.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Term Limits for Independent Directors.

- a. There shall be no limit in the number of covered companies a person may be elected as ID, except in conglomerates where an ID can be elected to only five (5) listed companies of the conglomerate;*
- b. IDs can serve for 5 consecutive years starting 2012, provided that service for a period of at least 6 months shall be equivalent to 1 year;*
- c. After the completion of the 5-year service period, an ID shall be ineligible for election in the same company unless ID has undergone a "cooling off" period of 2 years;*
- d. During the cooling-off period of two (2) years, An ID cannot serve as a regular director of the Bank. The cooling off period is intended to strengthen the independence and objective judgment of independent directors by disassociating the director from the affairs of the bank for a period of two (2) years. Hence, allowing such director to serve as a regular director during that period is not consistent with the objective of the said term break.¹⁷*
- e. An ID can be re-elected after the "cooling off" period for another four (4) consecutive years. After serving as an ID for 9 years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside its conglomerate.*
- f. An ID who has served for two (2) terms following the 5-2-4 rule, can be elected as a regular member of the board.¹⁸*
- g. It shall be the responsibility of the Corporate Secretary to ensure that the above-mentioned requirements for an independent director are complied with during nomination / election.*

¹⁷ Item I.4, BSP Memorandum No. 2012-032 dated July 5, 2012

¹⁸ *ibid*, Item I.6

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations.</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>- must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p><i>Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose.</i></p> <p><i>The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Frequency of Election: Annually. Moreover, Article III, Section 2 of the By-Laws allow for special elections to be called by the Chairman or the Chief Executive Officer whenever either of them deems it advisable, or when so directed by resolution of the Board of Directors, or upon written request of stockholders holding not less than 1/3 of the outstanding stock.</i></p>	
(ii) Non-Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002.</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(ii) Non-Executive Directors	<p><i>Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office.</i></p>	<p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(ii) Non-Executive Directors	<i>Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i>	
(iii) Independent Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014.</i></p> <p><i>The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors. As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>- must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(iii) Independent Directors	<p><i>among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p>6. For Independent Director, SEC Memorandum Circular No. 16, Series of 2002, SEC Memo No. 6, Series of 2009, Sec. 38 of The Securities Regulation Code, Rule 38 of the Amended Implementing Rules and Regulations (AIRR) of the Securities Regulation Code (SRC), SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38 (formerly Rule 38.1) of AIRR of the SRC, SEC Memorandum Circular No. 9, Series of 2011, Sec. 15 of the General Banking Law, and Section X141 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular Nos. 749 and 757, Series of 2012</p> <p>- a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Bank, and includes, among others, any person who:</p> <p><i>is not or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the</i></p> <p><i>(a) past three (3) years counted from the date of his election (Subsection X141.2, MORB), and is not a director or officer of the Bank, any of its related companies or any of its substantial shareholders (owner of more than 10% of any class of its equity security, or holding shares of stock sufficient to elect one seat in the Board of Directors (Subsection X141.2, MORB) other than as an independent director of any of the foregoing;</i></p> <p><i>(b) does not own more than two percent (2%) of the shares of the Bank and/or its related companies or any of its substantial shareholders (Rule 38.2.B, RIRR of the SRC);</i></p> <p><i>(c) is not a relative within the fourth (4th) degree of consanguinity or affinity, legitimate or common-law, of any director, officer or shareholder of the Bank, or any of its related companies (Subsection X141.2 (MORB);</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(iii) Independent Directors		<p>(d) is not acting as a nominee or representative of any director or substantial shareholder of the Bank, or any of its related companies or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement (Subsection X141.2 (5), MORB; Rule 38.2 D, RIRR of the SRC);</p> <p>(e) has not been employed in any executive capacity by the Bank, any of its related companies and/or any of its substantial shareholders within the last two (2) years (SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38.1 of AIRR of the SRC);</p> <p>(f) is not retained as professional adviser, consultant, agent or counsel by the Bank, any of its related companies or any of its substantial shareholders within the last five (5) years, either in his personal capacity or through his firm (Subsection X141.2(6), MORB);</p> <p>(g) has not been engaged and does not engage in any transaction with the Bank and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially or significantly interfere with or influence the exercise of his judgment (Subsection X141.2.b.(6), MORB);</p> <p>(h) is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election (Rule 38.3, RIRR of the SRC); and,</p> <p>(i) has not held independent directorships in more than 5 companies of the conglomerate, and has not served as Independent Director of the Bank for more than five (5) consecutive years from 2011 (SEC Memo No. 9, Series of 2011).</p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(i) Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2013. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002 must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(i) Executive Directors	<p><i>multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors</i></p>	
(ii) Non-Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(ii) Non-Executive Directors	<p><i>in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	
(iii) Independent Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors.</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors	<p><i>The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p>6. For Independent Director, SEC Memorandum Circular No. 16, Series of 2002, SEC Memo No. 6, Series of 2009, Sec. 38 of The Securities Regulation Code, Rule 38 of the Amended Implementing Rules and Regulations (AIRR) of the Securities Regulation Code (SRC), SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38 (formerly Rule 38.1) of AIRR of the SRC, SEC Memorandum Circular No. 9, Series of 2011, Sec. 15 of the General Banking Law, and Section X141 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular Nos. 749 and 757, Series of 2012</p> <p>- a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the OBank, and includes, among others, any person who:</p> <p>a. is not or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (Subsection X141.2, MORB), and is not a director or officer of the Bank, any of its related companies or any of its substantial shareholders (owner of more than 10% of any class of its equity security, or holding shares of stock sufficient to elect one seat in the Board of Directors (Subsection X141.2, MORB) other than as an independent director of any of the foregoing;</p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p><i>b. does not own more than two percent (2%) of the shares of the Bank and/or its related companies or any of its substantial shareholders (Rule 38.2.B, RIRR of the SRC);</i></p> <p><i>c. is not a relative within the fourth (4th) degree of consanguinity or affinity, legitimate or common-law, of any director, officer or shareholder of the Bank, or any of its related companies (Subsection X141.2 (MORB);</i></p> <p><i>d. is not acting as a nominee or representative of any director or substantial shareholder of the Bank, or any of its related companies or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement (Subsection X141.2 (5), MORB; Rule 38.2 D, RIRR of the SRC);</i></p> <p><i>e. has not been employed in any executive capacity by the Bank, any of its related companies and/or any of its substantial shareholders within the last two (2) years (SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38.1 of AIRR of the SRC);</i></p> <p><i>f. is not retained as professional adviser, consultant, agent or counsel by the Bank, any of its related companies or any of its substantial shareholders within the last five (5) years, either in his personal capacity or through his firm (Subsection X141.2(6), MORB);</i></p> <p><i>g. has not been engaged and does not engage in any transaction with the Bank and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially or significantly interfere with or influence the exercise of his judgment (Subsection X141.2.b.(6), MORB);</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p>h. is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election (Rule 38.3, RIRR of the SRC); and,</p> <p>i. has not held independent directorships in more than 5 companies of the conglomerate, and has not served as Independent Director of the Bank for more than five (5) consecutive years from 2011 (SEC Memo No. 9, Series of 2011).</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
c. Permanent Disqualification		
(i) Executive Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p>	<p>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</p> <p>Permanently disqualified¹⁹</p> <p>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</p> <p>a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES)</p>

¹⁹ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or,</i></p>	<p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>b. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁰</i></p> <p><i>c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</i></p> <p><i>d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</i></p> <p><i>e. Directors, officers or employees of closed banks who were found to be culpable for such institution’s closure as determined by the Monetary Board.</i></p> <p><i>f. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p> <p><i>g. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another</i></p>

²⁰ Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors	<p><i>to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>h. government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p><i>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</i></p> <p><i>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</i></p> <p><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors		<p><i>been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</i></p> <p><i>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(ii) Non-Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p>	<p><i>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</i></p> <p><i>Permanently disqualified²¹</i></p> <p><i>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</i></p>

²¹ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors	<p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p> <p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p>	<p>a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFICIALS AND EMPLOYEES)</p> <p>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</p> <p>b. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²²</p> <p>c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</p> <p>d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</p> <p>e. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board.</p> <p>f. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p>

²² Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors	<p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<p>g. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p> <p>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</p> <p>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors		<p><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors		<p>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</p> <p>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
(iii) Independent Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer</p>	<p>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</p> <p>Permanently disqualified²³</p> <p>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</p> <p>Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES)</p>

²³ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors	<p><i>in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>a. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁴</i></p> <p><i>b. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</i></p> <p><i>c. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</i></p> <p><i>d. Directors, officers or employees of closed banks who were found to be culpable for such institution’s closure as determined by the Monetary Board.</i></p> <p><i>e. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p> <p><i>f. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or</i></p>

²⁴ Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p><i>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</i></p> <p><i>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</i></p> <p><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors		<p><i>involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</i></p> <p><i>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i>	<p><i>Temporarily Disqualified.</i></p> <p><i>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p>Subsection X143.4 Disqualification procedures</p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.</i></p> <p><i>The head of said department may allow an extension on meritorious ground.</i></p>	<p><i>- Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;</i></p> <p><i>- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>x x x x</p> <p>f. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p>	<p>- Persons who are delinquent in the payment of their obligations as defined hereunder.</p> <p>a. Delinquency in the payment of obligations means that an obligation of a person with a bank where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations;</p> <p>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</p> <p>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</p> <p>ii. The spouse or child under the parental authority of the director or officer;</p> <p>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</p> <p>iv A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and</p> <p>v. A corporation, association or firm wholly owned or majority of the capital of which is owned by any or a group of persons, mentioned in the foregoing Items (i), (ii) and (iv);</p> <p>This disqualification shall be in effect as long as the delinquency persists.</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>- Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;</i></p> <p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>- Directors and officers of closed banks pending their clearance by the Monetary Board;</i></p> <p><i>- Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such directors' election/reelection;</i></p> <p><i>- Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. X141.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar;</i></p> <p><i>- Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors		<p>- Those under preventive suspension;</p> <p>- Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</p> <p>- Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>- Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>- Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors		<p>- <u>Independent director</u> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</p> <p>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</p> <p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p>	<p><i>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</i></p> <ul style="list-style-type: none"> <i>- Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;</i> <i>- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;</i> <i>- Persons who are delinquent in the payment of their obligations as defined hereunder.</i> <p><i>a. Delinquency in the payment of obligations means that an obligation of a person with a bank where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>	<p><i>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</i></p> <ul style="list-style-type: none"> <i>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</i> <i>ii. The spouse or child under the parental authority of the director or officer;</i> <i>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</i> <i>iv A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and</i> <i>v. A corporation, association or firm wholly owned or majority of the capital of which is owned by any or a group of persons, mentioned in the foregoing Items (i), (ii) and (iv);</i> <p><i>This disqualification shall be in effect as long as the delinquency persists.</i></p> <p><i>- Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;</i></p> <p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>- Directors and officers of closed banks pending their clearance by the Monetary Board;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<ul style="list-style-type: none"> - <i>Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such directors' election/reelection;</i> - <i>Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. X141.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar;</i> - <i>Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification;</i> - <i>Those under preventive suspension;</i> - <i>Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</i>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors		<p>- Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>- Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>- Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;</p> <p>- <u>Independent director</u> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</p> <p>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</p> <p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors		<p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
(iii) Independent Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer</i></p>	<p><i>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</i></p> <p>- Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors	<p><i>in any FI under the supervision of the BSP.</i></p> <p><i>Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;</i></p> <p><i>- Persons who are delinquent in the payment of their obligations as defined hereunder.</i></p> <p><i>a. Delinquency in the payment of obligations means that an obligation of a person with a bank where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations;</i></p> <p><i>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</i></p> <p><i>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</i></p> <p><i>ii. The spouse or child under the parental authority of the director or officer;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</i></p> <p><i>iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and</i></p> <p><i>v. A corporation, association or firm wholly owned or majority of the capital of which is owned by any or a group of persons, mentioned in the foregoing Items (i), (ii) and (iv);</i></p> <p><i>This disqualification shall be in effect as long as the delinquency persists.</i></p> <p><i>- Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;</i></p> <p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>- Directors and officers of closed banks pending their clearance by the Monetary Board;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<ul style="list-style-type: none"> - Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such directors' election/re-election; - Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. X141.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar; - Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification; - Those under preventive suspension; - Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated; - Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<p>- Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>- Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;</p> <p>- <u>Independent director</u> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</p> <p>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</p> <p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<p>cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
e. Removal		
(i) Executive Directors	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p>	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>X143.1 Persons disqualified to become directors. Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</p> <p>a. Permanently disqualified</p> <p>x x x x</p> <p>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p> <p>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p>

Procedure	Process Adopted	Criteria
e. Removal		
(i) Executive Directors	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p>	<p><i>b. Temporarily disqualified</i></p> <p><i>x x x x</i></p> <p><i>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(i) Executive Directors	<p>xxxx</p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p><i>First violation</i> - the subject person shall be reprimanded.</p> <p><i>Second violation</i> - Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</p> <p><i>Third violation</i> - the maximum penalty of <u>removal from office shall be imposed</u>.</p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>
(ii) Non-Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution’s director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>X143.1 Persons disqualified to become directors.</i> Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</p> <p><i>a. Permanently disqualified</i></p> <p>xxxx</p> <p><i>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(ii) Non-Executive Directors	<p><i>prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p><i>b. Temporarily disqualified</i></p> <p><i>x x x x</i></p> <p><i>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p> <p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p>First violation - <i>the subject person shall be reprimanded.</i></p> <p>Second violation - <i>Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><u>Third violation - the maximum penalty of removal from office shall be imposed.</u></p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(iii) Independent Directors	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP.</i></p> <p><i>While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>X143.1 Persons disqualified to become directors.</i> Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</p> <p><i>a. Permanently disqualified</i> x x x x</p> <p><i>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(iii) Independent Directors	<p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007).</i></p>	<p><i>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p><i>b. Temporarily disqualified</i> <i>x x x x</i></p> <p><i>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p> <p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p><i>First violation</i> - the subject person shall be reprimanded.</p>

Procedure	Process Adopted	Criteria
e. Removal		
(iii) Independent Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>Second violation</i> - Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</p> <p><i>Third violation</i> - the maximum penalty of <u>removal from office shall be imposed.</u></p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>
f. Re-instatement		
(i) Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>x x x x</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is</i></p>	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>x x x x</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>

Procedure	Process Adopted	Criteria
f. Re-instatement		
(i) Executive Directors	<p>elevated to the Monetary Board.</p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p> <p>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p>
(ii) Non-Executive Directors	<p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p>	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p>

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(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>

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(iii) Independent Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>x x x x</p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p>

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(iii) Independent Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or,</i></p>
g. Suspension		
(i) Executive Directors	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p>

Procedure	Process Adopted	Criteria
g. Suspension		
(i) Executive Directors	<p><i>allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from</i></p>	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p>

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g. Suspension		
(i) Executive Directors	<p><i>the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>x x x x</i></p> <p><i>1. Whenever a director/officer is cleared in the process mentioned under Item "c" above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(ii) Non-Executive Directors	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may</i></p>

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g. Suspension		
(ii) Non-Executive Directors	<p>conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p>	<p>conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p>
	<p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p>	<p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p>
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	<p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p>	<p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p>

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(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

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g. Suspension		
(iii) Independent Directors		<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Voting Result of the last Annual General Meeting (as of May 8, 2014).

Name of Director	Votes Received
<i>Hans T. Sy</i>	<i>1,086,712,084</i>
<i>Gilbert U. Dee</i>	<i>1,086,739,034</i>
<i>Peter S. Dee</i>	<i>1,086,739,034</i>
<i>Joaquin T. Dee</i>	<i>1,091,132,239</i>
<i>Dy Tiong (ID)</i>	<i>1,091,132,239</i>
<i>Herbert T. Sy</i>	<i>1,091,099,624</i>
<i>Harley T. Sy</i>	<i>1,091,099,624</i>
<i>Alberto S. Yao (ID)</i>	<i>1,091,105,289</i>
<i>Roberto F. Kuan (ID)</i>	<i>1,091,132,239</i>
<i>Jose T. Sio</i>	<i>1,091,099,624</i>
<i>Ricardo R. Chua</i>	<i>1,091,131,359</i>

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

In accordance with the rules of the Bangko Sentral ng Pilipinas (BSP) (or the Central Bank of the Philippines), the members of the Board are issued a copy of their general and specific duties and responsibilities, which they acknowledged to have received and certified that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to BSP within the prescribed period.

Moreover, the Directors also individually submit a Sworn Certification that they possess all the qualifications and none of the disqualifications, as enumerated in the MORB. These certifications are submitted to BSP after their election. Additional certifications are executed by Independent Directors to comply with the Securities Regulation Code and BSP rules which are then submitted to the SEC.

Directors are required to attend a day and a half orientation program conducted by an accredited BSP training provider. All directors of the Bank have attended the orientation program of the Institute of Corporate Directors (ICD).

- (b) State any in-house training and external courses attended by Directors and Senior Management²⁵ for the past three (3) years:

For the Directors

As part of the Board's continuing education, the Directors as well as senior executives of the Bank attended a seminar on the Anti-Money Laundering Act (AMLA) organized by our Compliance Office in partnership with the AML Council Secretariat in November 2009, another round of AML Seminar was attended by the Board on 06 August 2014 to apprise them of the updates on AML rules and regulations.

On a monthly basis, or whenever there are new issuances, the Chief Compliance Officer conducts a briefing/discusses on these new regulations to the Board.

For the Senior Officers (2011-2013)

	Training	Internal/ External
1	1st Fraud Conference Manila	External
2	2012 IT Audit & Fraud Summit	External
3	2nd Philippine Renewable Energy Summit	External
4	5th Philippine Housing Finance Forum	External
5	66th IIA-Philippines Annual Convention	External
6	8th Corporate Governance Workshop Series	External
7	Achieving a Four-Trust Rating	External
8	Advance Bank Management Program	External
9	AMLA of 2001-Circular 706 (2011 Update)	Internal
10	Anti-Money Laundering Act of 2001	Internal
11	Audit	External
12	Audit World 2013	External
13	Bank Fraud: Detection & Prevention & RCL	Internal
14	Bank Marketing and Salesmanship	Internal
15	Bankway Browser Teller Training Sys Training	Internal
16	Basic Chinese Language Course	Internal
17	Basic Chinese Speech	Internal
18	Basic Financial Math	External
19	Basics of Fixed Income Securities	External
20	Ben Trends BF Briefing: TOB	External
21	Bldg Profitable Debit/Prepaid Payment Bu	External
22	Board Directors Guide for Audit Comm	External
23	Bond Durations Modules	External
24	Briefing on WhistleBlowing Policy	Internal
25	BSP Compliance, Trust&Governance RS	External

²⁵ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

26	<i>Building Customer Loyalty</i>	<i>Internal</i>
27	<i>Building Partnerships Through Great Cust</i>	<i>Internal</i>
28	<i>Business Process Management Briefing</i>	<i>Internal</i>
29	<i>Certified BA Professional Training</i>	<i>External</i>
30	<i>China Bank Equity Fund Briefing</i>	<i>Internal</i>
31	<i>Coaching and Counseling in the Workplace</i>	<i>Internal</i>
32	<i>Compen & Ben:Trends & Challenges</i>	<i>External</i>
33	<i>Comprehensive Seminar on FWT & EWT</i>	<i>External</i>
34	<i>Conducting Internal Fraud Investigation</i>	<i>External</i>
35	<i>Conducting PrelimSurveys & Eff Work Prog</i>	<i>External</i>
36	<i>Conflicts of Interest & Ethics</i>	<i>External</i>
37	<i>Corporate Governance and Risk Management</i>	<i>External</i>
38	<i>Corporate Governance for Corp. Directors</i>	<i>External</i>
39	<i>Credit Enhancement Seminar</i>	<i>Internal</i>
40	<i>Credit Fraud</i>	<i>External</i>
41	<i>Crisis Management</i>	<i>External</i>
42	<i>Effective Business Writing Course</i>	<i>Internal</i>
43	<i>Effective Presentation Skills</i>	<i>Internal</i>
44	<i>Enhancing Audit Committee Effectiveness</i>	<i>External</i>
45	<i>EnRich Risk and Wealth Program</i>	<i>Internal</i>
46	<i>Establishing "Internal Audit & Controls"</i>	<i>External</i>
47	<i>Estate Planning</i>	<i>Internal</i>
48	<i>Financial Advisors Congress</i>	<i>External</i>
49	<i>Financial Management</i>	<i>Internal</i>
50	<i>Financial Statement Analysis Workshop</i>	<i>Internal</i>
51	<i>Foreign Currency Deposit Unit</i>	<i>External</i>
52	<i>Found. Certificate in IT Service Mgt</i>	<i>External</i>
53	<i>Handling Customer Complaints Workshop</i>	<i>Internal</i>
54	<i>How to Create a Culture & Capability...</i>	<i>External</i>
55	<i>ID Verification Seminar</i>	<i>Internal</i>
56	<i>Info Classification & Handling Guideline</i>	<i>Internal</i>
57	<i>International Trade Services</i>	<i>External</i>
58	<i>Introduction to Basel and ICAAP</i>	<i>Internal</i>
59	<i>IT Audit and Fraud Summit</i>	<i>External</i>
60	<i>Leadership Greatness</i>	<i>Internal</i>
61	<i>Leading Change: Critical Success Factors</i>	<i>External</i>
62	<i>Learning Communities:Creating Innovation</i>	<i>Internal</i>
63	<i>Learning Session on Marketing & Sales</i>	<i>Internal</i>
64	<i>Making Money with Stocks</i>	<i>External</i>
65	<i>Managing Generation Y Workforce</i>	<i>Internal</i>
66	<i>Marketing and Sales Planning Workshop</i>	<i>Internal</i>
67	<i>Mind Mapping & Creative Thiking Workshop</i>	<i>External</i>
68	<i>Officers Development Program</i>	<i>Internal</i>
69	<i>Optimizing Tax Saving for Real Est Trans</i>	<i>External</i>
70	<i>Orientation for New Officers</i>	<i>Internal</i>
71	<i>Philippine Financial Reporting System</i>	<i>External</i>

72	<i>Portfolio Construction</i>	<i>External</i>
73	<i>Positive Discipline Workshop</i>	<i>Internal</i>
74	<i>Practicable Prospecting Workshop</i>	<i>Internal</i>
75	<i>Practical Marketing Action Tools</i>	<i>External</i>
76	<i>Problem Solving and Decision Making</i>	<i>Internal</i>
77	<i>Product Knowledge Orientation</i>	<i>Internal</i>
78	<i>Professional Image Enhancement Workshop</i>	<i>Internal</i>
79	<i>Project Management Training</i>	<i>External</i>
80	<i>Property Owner's Guide</i>	<i>External</i>
81	<i>Prospecting Workshop</i>	<i>Internal</i>
82	<i>Quality Purchasing Seminar</i>	<i>External</i>
83	<i>Quantitative Financial Risk Management</i>	<i>External</i>
84	<i>Real Estate Economics</i>	<i>External</i>
85	<i>Remedial Management</i>	<i>External</i>
86	<i>Risk-Based Audit Approach</i>	<i>External</i>
87	<i>Sales Call Monitoring System Re-Training</i>	<i>Internal</i>
88	<i>Sales Mgmt Sys Briefing & SCMS Re-train</i>	<i>Internal</i>
89	<i>Salesmanship Course</i>	<i>Internal</i>
90	<i>SEC Fixed Income Salesman Review</i>	<i>Internal</i>
91	<i>Seven Habits Experience</i>	<i>Internal</i>
92	<i>Signature Verification Course</i>	<i>Internal</i>
93	<i>Strat Sys Thinking: Creating Comp Advant</i>	<i>External</i>
94	<i>Strategic Asset and Liability Management</i>	<i>External</i>
95	<i>Stress Testing: Perspectives, Guidance..</i>	<i>External</i>
96	<i>SunGard Ret Forum: Realising Potential</i>	<i>External</i>
97	<i>Superior Selling Mechanics</i>	<i>Internal</i>
98	<i>Tax Management Seminar</i>	<i>External</i>
99	<i>Taxes Applicable to Banks & FATCA</i>	<i>External</i>
100	<i>Tax-exempt Transactions Preferential Tax</i>	<i>External</i>
101	<i>Team Building</i>	<i>Internal</i>
102	<i>The Next Engines of Growth</i>	<i>External</i>
103	<i>TIFP Estate Planning Seminar-Workshop</i>	<i>Internal</i>
104	<i>TOPS - LRA Summit 2013</i>	<i>External</i>
105	<i>Trust Products and Services</i>	<i>Internal</i>
106	<i>Unleashing Talent</i>	<i>External</i>
107	<i>Values Enhancement & Work Attitude</i>	<i>Internal</i>

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Hans T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>Institute of Corporate Directors (ICD)</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, Bangko</i>

			<i>Sentral ng Pilipinas (BSP)</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Gilbert U. Dee</i>	<i>August 7, 2002</i>	<i>Special Seminar on Corporate Governance for Bank Chairmen & CEOs</i>	<i>BSP in cooperation with ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Peter S. Dee</i>	<i>August 7, 2002</i>	<i>Special Seminar on Corporate Governance for Bank Chairmen & CEOs</i>	<i>BSP in cooperation with ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Joaquin T. Dee</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Dy Tiong</i>	<i>October 18 -19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Herbert T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Harley T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Alberto S. Yao</i>	<i>September 16-17, 2004</i>	<i>Director Orientation Course</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Roberto F. Kuan</i>	<i>August 15-16, 2005</i>	<i>Orientation Course on Corporate Governance</i>	<i>ICD</i>
	<i>June 23, 2005</i>	<i>3rd Corporate Governance Workshop for Directors, Senior Managers and other Governance Players</i>	<i>Corporate Governance Institute of the Philippines/ Management Association of the Philippines/ Philippine Institute of Certified Public Accountants/Securities and Exchange Commission</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Jose T. Sio</i>	<i>April 23, 2003</i>	<i>Seminar on Corporate Governance</i>	<i>De La Salle University Professional Schools, Inc. Graduate School of Business</i>
	<i>February 24, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Ricardo R. Chua	October 18-19, 2002	Orientation Course on Corporate Governance for Bank Directors	ICD
	November 4, 2009	Anti-Money Laundering Act of 2001 Seminar	Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP
	January 8, 2014	Exclusive Corporate Governance Workshop	Institute of Corporate Directors
	August 6, 2014	AML Training	Atty. Arnold Frane, (AMLC Legal Services Group)

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>	<p><i>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank shall prevail.</i></p> <p><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>	<p><i>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank shall prevail.</i></p> <p><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>

Business Conduct & Ethics	Directors	Senior Management	Employees
(b) Conduct of Business and Fair Dealings	<p><i>Compliance with the principles of good corporate governance starts with the Board of Directors.</i></p> <p><i>It shall be the Board's responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.</i></p> <p><i>To consistently conduct the affairs of the institution with a high degree of integrity.</i> Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p> <p><i>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</i></p>	<p><i>Employees are expected to conduct their official and personal business with proper decorum to protect the name and goodwill of China Banking Corporation. They are expected to conduct themselves properly at all times, within or outside the Bank premises on or off duty. Employees should avoid any act that may embarrass or discredit the Bank.</i></p> <p><i>To consistently conduct the affairs of the institution with a high degree of integrity.</i> Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p> <p><i>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</i></p>	<p><i>Employees are expected to conduct their official and personal business with proper decorum to protect the name and goodwill of China Banking Corporation. They are expected to conduct themselves properly at all times, within or outside the Bank premises on or off duty. Employees should avoid any act that may embarrass or discredit the Bank.</i></p> <p><i>To consistently conduct the affairs of the institution with a high degree of integrity.</i> Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p> <p><i>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</i></p>
	<p><i>To consistently conduct the affairs of the institution with a high degree of integrity.</i> Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p>	<p><i>Employees of the Bank must always exercise honesty in the performance of their duties. They must not use their positions for their own interest.</i></p>	<p><i>Employees of the Bank must always exercise honesty in the performance of their duties. They must not use their positions for their own interest.</i></p>

Business Conduct & Ethics	Directors	Senior Management	Employees
(c) Receipt of gifts from third parties	<p><i>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</i></p> <p><i>Directors may not solicit or accept gifts, payments, loans, services or any form of compensation from suppliers, customers, competitors or others seeking to do business with the Company.</i></p>	<p><i>Fraud, soliciting money, gifts, shares, benefits or favors from any person or through mediation of another as a condition for the performance of one's duty may subject employees from suspension/dismissal.</i></p>	<p><i>Fraud, soliciting money, gifts, shares, benefits or favors from any person or through mediation of another as a condition for the performance of one's duty may subject employees from suspension/dismissal.</i></p>
(d) Compliance with Laws & Regulations	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations.</i></p>	<p><i>Employees of the Bank must comply with all established procedures of the Bank. These procedures were carefully designed to guard against losses and to assure effective operations at all times. Violations on operating procedures will be dealt with according to the Bank's Operations Policies and Procedures Manuals (OPPMs), Bankgo Sentral ng Pilipinas and other government agencies' rules and regulations and other written policies, guidelines, or instructions issued by Senior Management, Management Committee, Head of Divisions/Groups/Departments or Branch Managers as circularized. Subject to the penalty provision of Code of Ethics.</i></p>	<p><i>Employees of the Bank must comply with all established procedures of the Bank. These procedures were carefully designed to guard against losses and to assure effective operations at all times. Violations on operating procedures will be dealt with according to the Bank's Operations Policies and Procedures Manuals (OPPMs), Bankgo Sentral ng Pilipinas and other government agencies' rules and regulations and other written policies, guidelines, or instructions issued by Senior Management, Management Committee, Head of Divisions/Groups/Departments or Branch Managers as circularized. Subject to the penalty provision of Code of Ethics.</i></p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p><i>Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They</i></p>	<p><i>Employees engaging directly or indirectly, in financial transactions as a result of, or primarily relying upon, "insider</i></p>	<p><i>Employees engaging directly or indirectly, in financial transactions as a result of, or primarily relying upon, "insider</i></p>

	<i>may not disclose said information to any other person without the authority of the board.</i>	<i>information” may be subject to Written Reprimand/Suspension/Dismissal</i>	<i>information” may be subject to Written Reprimand/Suspension/Dismissal</i>
(f) Use of Company Funds, Assets and Information	<p><i>Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.</i></p> <p><i>Directors are not allowed to use Company assets, funds or information for their personal use unless approved by the Board.</i></p>	<i>Using Bank property for a private purpose other than an officially approved activity is prohibited. Furthermore, employees are required to protect and conserve Bank property, including equipment and supplies to them.</i>	<i>Using Bank property for a private purpose other than an officially approved activity is prohibited. Furthermore, employees are required to protect and conserve Bank property, including equipment and supplies to them.</i>
(g) Employment & Labor Laws & Policies	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>In accordance with Section 15 of the General Banking Law, Non-Filipino citizens may become members of the board of directors of a bank to the extent of the foreign participation in the equity of said bank. (Sec. 7, RA 7721)</i></p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>Except as may otherwise be allowed under C.A no. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of banks.²⁶</i></p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>Except as may otherwise be allowed under C.A no. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of banks</i></p>
(h) Disciplinary action	<p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p>First violation - <i>the subject person shall be reprimanded.</i></p> <p>Second violation - <i>Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</i></p> <p>Third violation - <i>the maximum penalty of</i></p>	<i>The penalties indicated for each group of offenses in this Code should under normal circumstances, be the penalties imposed. This is to ensure uniformity in the application of sanctions and to ensure that the disciplinary actions enforced are neither too lax nor too severe. It is understood that any offense included in the Code of Ethics, either explicitly or by reference, shall be punishable if it is</i>	<i>The penalties indicated for each group of offenses in this Code should under normal circumstances, be the penalties imposed. This is to ensure uniformity in the application of sanctions and to ensure that the disciplinary actions enforced are neither too lax nor too severe. It is understood that any offense included in the Code of Ethics, either explicitly or by reference, shall be punishable if it is</i>

²⁶ Subsection XI43.2.e of the MORB

	<p>removal from office shall be imposed.</p> <p>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p> <p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p>committed deliberately or through negligence and without justifiable cause or excuse. Unless explicitly stated, the presence of aggravating circumstances shall increase the severity of the penalty, and the presence of mitigating circumstances shall reduce it. Penalties are classified as verbal reprimand, written reprimand, suspension and dismissal.</p>	<p>committed deliberately or through negligence and without justifiable cause or excuse. Unless explicitly stated, the presence of aggravating circumstances shall increase the severity of the penalty, and the presence of mitigating circumstances shall reduce it. Penalties are classified as verbal reprimand, written reprimand, suspension and dismissal.</p>
(i) Whistle Blower	<p>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.</p>	<p>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.</p>	<p>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.</p>
(j) Conflict Resolution	<p>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board,</p>	<p>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers.</p> <p>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our employees are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and</p>	<p>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers.</p> <p>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our employees are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and</p>

	<i>with the abstention of the director involved in the transaction.</i>	<i>responsibilities as employees of the Bank; to engage in other work outside of the Bank without the Bank's written permission; and to have work competitive with the Bank.</i>	<i>responsibilities as employees of the Bank; to engage in other work outside of the Bank without the Bank's written permission; and to have work competitive with the Bank.</i>
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- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, A copy of the Code is given to all employees during their orientation as new employees of the Bank. Senior Management is likewise given a copy of the Bank's Code of Ethics. The Bank's Code of Ethics was approved by the Board of Directors.

To promote adherence to the Code and deter wrongdoing, any breach of conduct are subject to appropriate sanctions. Training and compliance monitoring are integral parts of our Code of Ethics. Human Resources Division ensures that every China Bank employee is aware of and upholds our Code of Ethics. All new employees are given a copy of the Code of Ethics booklet. Receipt thereof is acknowledged in writing. The PDF format of the Code is also available in the Bank's Intranet under Compliance Office's Public Folder, for easy reference. New employees likewise undergo the New Employees' Orientation Course (NEOC) wherein our Code of Ethics is comprehensively discussed.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Bank implemented its policy on Administrative Disciplinary Rules and Procedures to ensure that any case relating to employees' conduct or performance are handled in a fair, consistent and timely manner. Cases involving administrative offenses which do not involve fraud or dishonesty or is not punishable by termination are being monitored, handled and resolved by the corresponding Line Heads. On the other hand, administrative cases involving fraud and dishonesty and all offenses punishable by termination are handled by the Administrative Investigation Committee, the members of which are appointed by the President of the Bank.

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i>

	<p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
Related Party Transactions	Policies and Procedures
(2) Joint Ventures	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a</i></p>

	<p><i>reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity;</i> <i>or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(3) Subsidiaries	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity;</i> <i>or</i> <i>c. it has a member of the key management personnel</i>

	<p><i>of the reporting entity or of a parent of the reporting entity.</i></p> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(4) Entities Under Common Control	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity;</i> <i>or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p>

	<p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(5) Substantial Stockholders	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no</i></p>

	<p><i>special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(6) Officers including spouse/children/siblings/parents	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity;</i> <i>or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is</i></p>

	<p><i>allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(7) Directors including spouse/children/siblings/parents	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>

(8) Interlocking director relationship of Board of Directors	<p><i>In accordance with existing BSP rules, Interlocking Directorship requires prior approval of the Bangko Sentral ng Pilipinas.</i></p> <p><i>Except as allowed under existing regulations, no director is allowed to have an interlocking directorship without the prior approval of the BSP.</i></p>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>
Name of Officer/s	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>
Name of Significant Shareholders	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<i>The Bank has drafted a policy on Related Party Transaction to detect, and resolved any possible conflict of interest that may arise between the companies within the conglomerate.</i>
Group	<i>The Bank has drafted a policy on Related Party Transaction to detect, and resolved any possible conflict of interest that may arise between the companies within the conglomerate.</i>

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,²⁷ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>SM Investments Corporation and Sysmart Corporation</i>	<i>Interlocking directors, officers, and stockholders</i>	<i>Mr. Henry Sy, Sr., Honorary Chairman of and Advisor to the Board of the Bank, and father of Directors Hans T. Sy, Herbert T. Sy, and Harley T. Sy, is the Chairman of the Board of SM Investments Corporation (SMIC), and majority owner of Sysmart Corporation. Further, Mr. Hans T. Sy is Adviser to the Board of SMIC, Mr. Harley T. Sy is President, and Mr. Jose T. Sio is its Director and EVP-CFO.</i>

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>SM Investments Corporation and Sysmart Corporation</i>	<i>Related party transactions</i>	<i>In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders, and related interests (DOSRI). These transactions are thoroughly reviewed and verified as having been entered into in the best interest of the Bank, and made substantially on terms not less favorable to the Bank than those offered to others. Full disclosures for these transactions were made through reports with the Bangko Sentral ng Pilipinas.</i>

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to</i>	<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to</i>	<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to</i>

²⁷ Family relationship up to the fourth civil degree either by consanguinity or affinity.

<i>have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>	<i>have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>	<i>have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>
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6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	<i>The Bank constantly adheres to the applicable laws, rules and regulations geared towards the recognition and protection of the rights of the stockholders. The Bank has not encountered any major conflict with its stockholders for the last three (3) years. However, minor differences, mostly related to submission of documents, were resolved through active listening, affirming the feelings of stockholder, providing and explaining the reason for the Bank requirements, evaluating suggestions, referral of concerns to appropriate persons such as the transfer agent, and providing feedback and/or following up on the outstanding documents, issues and concerns.</i>
Corporation & Third Parties	<p><i>As the plaintiff or defendant in cases where the Bank is a party involved in the suit, the Bank participates in the mediation proceedings as part of the court mandated pre-trial proceedings, during the judicial dispute resolution and the formal pre-trial proceedings, wherein parties enter into stipulations and admissions.</i></p> <p><i>The Bank also participates in alternative dispute resolution when the same is provided under the contract of which the Bank is a party thereto.</i></p> <p><i>The Bank refers to the provisions in the signed contracts to resolve discrepancies, disputes, undelivered requirements, erroneous output, etc.; conflicts are likewise amicably resolved via discussions and negotiations with third parties and related-service providers; ties are severed in cases when the overall interest of the Bank are at negatively at stake.</i></p>
Corporation & Regulatory Authorities	<i>The Bank appears, for purposes of alternative dispute resolution before the different regulatory agencies such as, the BSP, PHHC, SEC, IC, ROD and other administrative agencies e.g. agrarian officers participate in the process for the speedy, inexpensive and just resolution of disputes.</i>

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes. The directors are made aware even before the beginning of the year of their regular meetings, which are scheduled every first Wednesday of the month in accordance with the By-Laws.

2) Attendance of Directors – as of December 2014

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Hans T. Sy	May 8, 2014	15	14	93%
Member	Gilbert U. Dee	May 8, 2014	15	14	93%
Member	Ricardo R. Chua	May 8, 2014	15	12	80%
Member	Peter S. Dee	May 8, 2014	15	14	93%
Member	Joaquin T. Dee	May 8, 2014	15	15	100%
Member	Herbert T. Sy	May 8, 2014	15	13	87%
Member	Harley T. Sy	May 8, 2014	15	14	93%
Member	Jose T. Sio	May 8, 2014	15	12	80%
Independent	Dy Tiong	May 8, 2014	15	15	100%
Independent	Alberto S. Yao	May 8, 2014	15	14	93%
Independent	Roberto F. Kuan	May 8, 2014	15	15	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

The non-executive directors meet with the external auditors of the Bank at least twice a year in order to discuss the Audit Plan, to present the Audited Financial Statements of the Bank, and to take up any matter which may be raised by any director. In these instances, the Chief Audit Executive and Chief Compliance Officer are also present.

Apart from the foregoing meetings, which are duly minuted, the non-executive directors consult with and talk to the external auditors, Chief Audit Executive, Chief Risk Officer, and Chief Compliance Officer informally every now and then to address pending issues. However, due to the nature of the discussions, the Office of the Corporate Secretary is not privy to these informal meetings, and does not keep a record of the dates, venues, and attendees thereof.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Bank follows the minimum quorum requirement specified in the Corporation Code. Article IV, Section 8 of the By-Laws provides that a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for instances where the laws and regulations require a different minimum requirement.

5) Access to Information

- (a) How many days in advance are board papers²⁸ for board of directors meetings provided to the board?

In general, board papers are provided to the directors five (5) days before the meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes. The directors can at any time communicate with Management and the Corporate Secretary for any issue or concern relating to the Bank.

²⁸ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The duties and responsibilities of the Corporate Secretary are enumerated in the Bank's By-Laws and Manual on Corporate Governance. Among other things, she has the responsibility of assisting the Chairman in the preparation of the Board agenda, putting the Board on notice before every meeting, making sure that directors have before them everything that they need to make an informed decision, keeping the directors updated on relevant statutory and regulatory changes, coordinating with Compliance Office on the training of directors, and performing such other duties as are incident to her office or are properly required of her by the Board and/or the Chairman/Chief Executive Officer.

In accordance with the Bank's Manual on Corporate Governance, He should –

- 1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;*
 - 2. Be loyal to the mission, vision and objectives of the corporation;*
 - 3. Work fairly and objectively with Board, Management and stockholders;*
 - 4. Have appropriate administrative and interpersonal skills;*
 - 5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.*
 - 6. Have a working knowledge of the operations of the corporation;*
 - 7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decision on matters that require their approval;*
 - 8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
 - 9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*
 - 10. If he is also the Compliance Officer, perform all the duties and responsibilities of said officer as provided for in the Revised Code of Corporate Governance.*
 - 11. In case of board election, require all independent directors nominated to the Board to submit a notarized certification that he/she possesses all the qualifications and none of the disqualifications.*
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. Atty. Corazon I. Morando is a Bachelor of Laws graduate of the University of the Philippines. She took up graduate studies under the MBA-Senior Executive Program from the Ateneo de Manila University. Also, she was formerly the Director of the Corporate and Legal Department of the Securities and Exchange Commission of the Philippines.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒

No ☐

Committee	Details of the procedures
Executive	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Executive Committee.</i>
Audit	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Audit Committee.</i>
Nomination	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Nomination Committee.</i>
Remuneration	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Compensation or Remuneration Committee.</i>
Corporate Governance	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Corporate Governance Committee.</i>
Risk Management	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Risk Management Committee.</i>
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<p><i>The directors may freely raise the matter of obtaining external advice in any meeting where they opine it to be necessary. Occasionally, the directors suggest for the Bank to consider seeking independent professional advice in order, deal with or resolve a legal or any other matter.</i></p> <p><i>In some of the Board committees, such as Audit Committee, the charter explicitly provides for the authority of the committee to seek professional guidance from independent counsel, accountants, or others to advise and assist the Committee in the effective performance of its duties.</i></p>	<p><i>The directors may freely raise the matter of obtaining external advice in any meeting where they opine it to be necessary. Occasionally, the directors suggest for the Bank to consider seeking independent professional advice in order, deal with or resolve a legal or any other matter.</i></p> <p><i>In some of the Board committees, such as Audit Committee, the charter explicitly provides for the authority of the committee to seek professional guidance from independent counsel, accountants, or others to advise and assist the Committee in the effective performance of its duties.</i></p>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>Credit Policy Manual</i>	<p><i>The enhancements to the Credit Policy mainly pertain to the following:</i></p> <p><i>1) deletion of deposits maintained with the Bank's subsidiaries and affiliates among the acceptable collateral for credit facilities; and,</i></p> <p><i>2) inclusion of deposit substitutes among the instruments that can be covered by hold-out agreement or deed of assignment.</i></p>	<i>The amendments were made to align Bank policies with the requirements of the Bangko Sentral ng Pilipinas under the Manual of Regulations for Banks (MORB).</i>
<i>Corporate Governance Manual</i>	<p><i>The enhancement on the CG Manual are on following:</i></p> <p><i>1) Training of Directors</i></p> <p><i>2) Qualifications of Directors</i></p> <p><i>3) Term limits of Independent Directors</i></p> <p><i>4) RPT policy</i></p>	<i>To align the Bank's policies with BSP Circular No. 844 and various SEC memos on Training, stakeholder definition, best practices and ASEAN standards</i>

<i>Money Laundering and Terrorist Financing Prevention Program (MLPP)</i>	<i>Enhancements on the following were made:</i> <ol style="list-style-type: none"> 1. <i>Definition of terms</i> 2. <i>Know your employees policy</i> 3. <i>Monitoring of High risk clients and risk assessment</i> 4. <i>Record Keeping</i> 5. <i>KYC document updating</i> 6. <i>Politically exposed persons</i> 7. <i>AML Training policy</i> 	<i>To align with applicable Anti-money laundering law, AMLC and BSP rules and regulations</i>
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D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>
(2) Variable remuneration	<i>As approved by the Executive Committee/Board</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/ Board</i>
(3) Per diem allowance	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee / Board</i>
(4) Bonus	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>

(5) Stock Options and other financial instruments	<i>None</i>	<i>None</i>
(6) Others (specify)	<i>None</i>	<i>None</i>

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>
Non-Executive Directors	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Yes. The provision in the By-Laws pertaining to the remuneration of the directors has been approved by the stockholders.

Remuneration Scheme	Date of Stockholders' Approval
<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	<i>May 15, 2003</i>

3) Aggregate Remuneration (as of 2014)

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration			
(b) Variable Remuneration	64,773,414.38	95,179,019.68	42,925,327.43
(c) Per diem Allowance	19,000.00	24,500.00	9,500.00
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)		None	None
Total	None	None	None

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	P 4.0 Mn	None	None
(f) Hospitalization Plan	P 300 K	None	None
(g) Car Plan	P 1.5Mn	None	None
(h) Others (Specify)	None	None	None
Total	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock

The Board of Directors approved on March 5, 2014 for the Bank to conduct a rights issue by way of offering common shares to eligible shareholders of the Bank, subject to approval of regulatory agencies. The additional capital was seen to enable the Bank to pursue growth strategies while ensuring that its capital adequacy levels remain above the new Basel III requirements. The Bank set April 24, 2014 as the record date for shareholders entitled to participate in the rights offer up to 161,609,878 shares of common stock with a par value of P10.00 per share, at the entitlement ratio of one rights share for every 8.834 existing common shares held by eligible shareholders, and at an offer price of P49.50 per rights share. The stock rights shares were listed at the PSE on May 13, 2014. As of September 30, 2014, the net proceeds amounting to P7.92 Billion have been invested in loans.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
**Gilbert U. Dee	*Php P80,264,459.00.
**Peter S. Dee	
**Ricardo R. Chua	
Antonio S. Espedido	
Nancy D. Yang	

* as of 2013 (actual)
** Executive Directors

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	
Executive	3	2	None*	Yes; last reviewed by the Board on May 5, 2011
Audit	None	1	2	Yes; last reviewed by the Board on October 3, 2012
Nominations	None	3	3	Yes; last reviewed by the Board on March 4, 2015
Compliance	None	2	1	Yes; last reviewed by the Board on December 5, 2012
Risk Management	1	2	1	Yes; last reviewed by the Board on August 7, 2013
Compensation or Remuneration	2	3	1	Yes; last reviewed by the Board on May 5, 2011

<i>Corporate Governance</i>	<i>None</i>	<i>2</i>	<i>2</i>	<i>Yes; last reviewed by the Board on November 14, 2012</i>
<i>Related Party Transaction</i>	<i>None</i>	<i>3</i>	<i>3</i>	<i>Approved by the Board on June 4, 2014</i>
<i>Others (specify) –</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>

**The Executive Committee was reorganized by the Board on January 9, 2013 to appoint/designate Mr. Ricardo R. Chua as member thereof in lieu of Independent Director Dy Tiong, who was a member of the committee for numerous years. The Board action was made to address the observations raised by the Bangko Sentral ng Pilipinas on the incompatible Board Committee memberships of Director Dy Tiong in the Executive Committee and Audit Committee.*

Functions, Key Responsibilities, and Power of Board Committees:

(a) Executive Committee

The Committee, when the Board of Directors is not in session, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Bank, except with respect to: (1) approval of any action for which stockholders' approval is also required; (2) the filling of vacancies in the Board of Directors; (3) the amendment or repeal of the By-laws or the adoption of new By-laws; (4) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by the Board of Directors and/or by laws or regulations.

(b) Audit Committee

The Committee provides oversight of the Bank's financial reporting and control and internal audit functions. It monitors and evaluates the adequacy and effectiveness of the internal control system, as well as the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instance of non-compliance. It appoints, reviews and concurs in the appointment or replacement of the Chief Audit Executive, and is responsible in ensuring that the Chief Audit Executive and internal audit function are free from interference by outside parties, and there is an annual review of the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.

(c) Nominations Committee

The Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board, as well as appointments requiring Board approval and promotions favorably endorsed by the Promotions Review Committee. It also assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

(d) Compliance Committee

The Committee assists the Board in monitoring compliance with established banking laws, rules and regulations, specifically in the mitigation of Business Risk. It is tasked to ensure

that the Bank's compliance function has a formal status within the Bank as established by a charter duly approved by the Board, and ensure the appointment of a full-time Chief Compliance Officer, who shall be responsible to manage the compliance program. It is also responsible in seeing to it that the management is doing things in accordance with the prescribed rules, policies, procedures, guidelines and the like, and that appropriate corrective actions are being taken when necessary or required; reviewing the completeness of the processes in reporting and compliance to identified regulatory breaches; assessing and reviewing on a regular basis the Bank's Compliance Framework; and providing oversight over the implementation of the Bank's Compliance Program or Plan.

(e) Risk Management Committee

The Committee is responsible for the oversight and development of all the Bank's risk management functions, including but not limited to market risk, credit risk, and operational risk. It estimates the probability of each risk event and calculates the expected loss for each event. It likewise evaluates the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness, and reviews and revises the same as needed.

(f) Compensation or Remuneration Committee

The Committee provides oversight over the remuneration of Senior Management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.

(g) Corporate Governance Committee

The Committee is responsible for the review and evaluation of the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board of Directors. It is also responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and overseeing the periodic evaluation of the Board and its Committees and Executive Management.

(h) Trust Investment Committee

The Trust Investment Committee (TIC) is a special committee established by the Board of Directors (BOD) of China Banking Corporation principally for the purpose of overseeing the trust, investment management and fiduciary activities of China Bank and performing specific functions and responsibilities.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman	Hans T. Sy	May 8, 2014	37	34	92%	26
Member (ED)	Gilbert U. Dee	May 8, 2014	37	34	92%	26
Member (ED)	Peter S. Dee	May 8, 2014	37	31	84%	26
Member (NED)	Joaquin T. Dee	May 8, 2014	37	35	95%	26
Member (ED)	Ricardo R. Chua	May 8, 2014	37	35	95%	1

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Alberto S. Yao	May 8, 2014	12	12	92%	10
Member (NED)	Joaquin T. Dee	May 8, 2014	12	12	92%	27
Member (ID)	Dy Tiong	May 8, 2014	12	12	92%	4

*10 joint meeting with Compliance and Corporate Governance Committees

2 joint meetings with Compliance Committee

Disclose the profile or qualifications of the Audit Committee members.

Alberto S. Yao, 68, Filipino, is the chairman of the Risk Management and Audit committees and a member of the Compliance and Corporate Governance committees. He was elected to the China Bank Board on July 7, 2004 and is also an independent director of China Bank subsidiaries China Bank Savings (CBS) and Planters Development Bank (Plantersbank). He also serves in companies not listed in the PSE: as president & CEO of Richwell Trading Corporation, Richwell Philippines, Inc., Europlay Distributor Co., Inc., and Internationale Globale Marques Inc.; and the president of Richphil House Incorporated and Megarich Property Ventures Corp. He was the vice president for merchandising of Zenco Sales, Inc. from 1968 to 1975. He holds a Business Administration degree from the Mapua Institute of Technology.

Joaquin T. Dee, 79, Filipino, is the chairman of the Compliance Committee and a member of six other committees: Executive, Risk Management, Audit, Corporate Governance, Nominations, and Compensation or Remuneration committees. He was elected to the China Bank Board on May 10, 1984. He is also affiliated with three other companies, none of which are listed in the PSE: JJACCIS Development Corporation and Enterprise Realty Corporation as president/director, and Suntree Holdings Corporation, as treasurer/director. He was the vice president for sales and administration of Wellington Flour Mills from 1964 to 1994. He holds a degree in Commerce from the Letran College.

Dy Tiong, 85, Filipino, is the chairman of the Nominations Committee. He is also a member of the Audit and Compensation or Remuneration committees. He was elected to the China Bank Board on May 9, 1985. He is also the vice chairman of Panelon Philippines, Inc., the honorary chairman of Chiang Kai Shek College, and the chairman emeritus of the Dr. Sun Yat Sen Society, all of which are not listed in the PSE. He was the president of CBC Finance, Inc. from 1980 to 2001 and Panelon Development Corporation from 1990 to 1994. He holds a Business Administration degree from the National Jean Kuan College.

Describe the Audit Committee's responsibility relative to the external auditor.

The Committee provides oversight of the external audit functions. In the exercise of its oversight functions, it is tasked to select and recommend the election/re-election of the external auditors, subject to stockholder ratification; approve audit fees and fees for non-audit services, if any; review and discuss the scope and plan of the annual audit, including coordination of audit effort with internal audit and rotation process of auditor/firm; review and discuss the annual audited financial statements, management letter, regulatory and accounting issues and developments and their effect on the financial statements; and evaluate the qualifications, performance, competence and independence of the external auditors. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent, non-executive Audit Committee members.

It is responsible for the appointment, dismissal or reappointment of external auditor and ensure its independence to the internal auditors.

To discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts

Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses

Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationship between the auditors and Bank, including non-audit services, and discussing the relationships with the auditors

Regularly review and monitor the external auditor's technical competence, independence, objectivity and overall effectiveness of the external audit process.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Dy Tiong	May 8, 2014	8	8	100%	14
Member (NED)	Hans T. Sy	May 8, 2014	8	8	100%	14
Member (NED)	Joaquin T. Dee	May 8, 2014	8	8	100%	14
Member (ID)	Alberto S. Yao	May 8, 2014	8	7	88%	1
Member (ID)	Roberto F. Kuan	May 8, 2014	8	7	88%	1

**Jointly with Corporate Governance Committee*

(d) Compliance Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman (NED)	Hans T. Sy	May 8, 2014	13	12	92%	13
Member (NED)	Joaquin T. Dee	May 8, 2014	13	12	92%	13
Member (ID)	Alberto S. Yao	May 8, 2014	13	12	92%	5

**Jointly with Audit and Corporate Governance Committees*

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman (NED)	*Joaquin T. Dee	May 8, 2014	13	13	100%	4
Member (ED)	Gilbert U. Dee	May 8, 2014	13	12	92%	5
Member (NED)	Hans T. Sy	May 8, 2014	13	12	92%	10
Member (ID)	Alberto S. Yao	May 8, 2014	13	13	100%	10

**Mr. Joaquin T. Dee is the newly appointed Chairman of the Risk Management Committee in the May 8, 2014 Organizational Meeting of the Board.*

(f) Compensation or Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Roberto F. Kuan	May 8, 2014	1	1	100%	10
Member (NED)	Hans T. Sy	May 8, 2014	1	1	100%	10
Member (ED)	Gilbert U. Dee	May 8, 2014	1	1	100%	10
Member (ID)	Dy Tiong	May 8, 2014	1	1	100%	10
Member (ID)	Alberto S. Yao	May 8, 2014	1	1	100%	3

During the May 8, 2014 Organizational Meeting of the Board, the following directors were appointed as the members of the Compensation or Remuneration Committee of the Bank:

(g) Corporate Governance Committee

Office	Name	Date of Appointment	Jointly with Audit and Compliance Committees		
			No. of Meetings Held *	No. of Meetings Attended	%
Chairman (ID)	Roberto F. Kuan	May 8, 2014	18	14	78%
Member (NED)	Hans T. Sy	May 8, 2014	18	18	100%
Member (NED)	Joaquin T. Dee	May 8, 2014	18	18	100%
Member (ID)	Alberto S. Yao	May 8, 2014	18	17	94%

*10 Joint meetings with Audit and Compliance Committees

7 joint meetings with Nominations Committee

1 joint meeting with Compliance and Nominations Committee

(h) Trust Investment Committee

Members	No. of Meetings Held * (2014)	No. of meetings Attended	%
Roberto F. Kuan*	10 (4)	4	100%
Harley T. Sy	10	9	90%
Peter S. Dee**	10 (7)	6	85.71%
Herbert T. Sy***	10 (6)	6	100%
Rene J. Sarmiento	10	10	100%
Jose T. Sio	10	8	80%
Ricardo R. Chua****	10 (3)	(3)	100%

*Member up to May 2014

**Member up to 30 August 2014

***Member starting June 2014 vice Mr. Roberto F. Kuan

****Appointed / elected as a new member of the Trust Investment Committee effective 01 September 2014 vice Mr. Peter S. Dee who retired last August 30, 2014.

(i) Related Party Transaction Committee

Office	Name	Date of Appointment
Chairman (ID)	Alberto S. Yao	May 8, 2014
Member (ID)	Dy Tiong	May 8, 2014
Member (ID)	Robert F. Kuan	May 8, 2014

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

For 2013, the Executive Committee was reorganized to appoint/designate Mr. Ricardo R. Chua as member thereof in lieu of Independent Director Dy Tiong, who was a member of the committee for numerous years. The Board action was made to address the observations raised by the Bangko Sentral ng Pilipinas on the incompatible Board Committee memberships of Director Dy Tiong in the Executive Committee and Audit Committee.

For 2014, a new committee called Related Party Transaction Committee was created by the Board in its last Organizational Meeting held on May 8, 2014.

For other changes, see summary in table below.

Name of Committee	Name	Reason
Executive	None	None
Audit	None	None
Corporate Governance	None	None
Risk Management	Mr. Joaquin T. Dee is the new Chairman	As a result of the annual reorganization.
Nomination	Mr. Alberto S. Yao and Mr. Roberto F. Kuan, both independent directors, were appointed as new members.	To align with best practice on good corporate governance.
Compensation or Remuneration	Mr. Roberto F. Kuan is the new Chairman and Mr. Alberto S. Yao is a new member. The new members replaced Mr. Peter S. Dee, Mr. Joaquin T. Dee, and Mr. Herbert T. Sy.	As a result of the annual reorganization. Decreasing the Committee membership from 6 to 5. To align with practice on good corporate governance.
Trust Investment Committee	Mr. Jose T. Sio was appointed as the new Chairman. Mr. Herbert T. Sy became a member, replacing Mr. Roberto F. Kuan. Mr. Ricardo R. Chua was appointed as a new member effective 01 September 2014 replacing Mr. Peter S. Dee who retired from the Bank effective 30 August 2014.	As a result of the reorganization in the Trust Investment Committee.
Compliance Committee	Mr. Hans T. Sy is the new Chairman.	As a result of the annual reorganization.
Related Party Transaction	Mr. Alberto S. Yao (ID) Mr. Dy Tiong, (ID) and Mr. Roberto F. Kuan (ID) are the committee members	All three (3) members are Independent Directors to align with best practice and to ensure that related parties are reviewed by a committee composed entirely of independent directors.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

The committees performed work in accordance with their mandated functions, duties and responsibilities indicated in their respective charters. Among others, the committees carried out the following:

Name of Committee	Work Done	Issues Addressed
Executive	reviewed, approved or acted on credit applications endorsed by the Credit Committee and those not endorsed but within its approval authority; discussed and acted on other matters, such as budget of branches, movements of employees, donations, and signing authority of officers.	Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.

Name of Committee	Work Done	Issues Addressed
Audit	<i>discussed the results of regular and special audits of branches, units and systems applications of the Bank, summary of major and other audit findings, status of outstanding audit issues, results of the audit by SyCip Gorres & Velayo of the 2012 financial statements of the Bank and subsidiaries and their 2013 audit plan, internal audit's audit plan, budget, accomplishments and changes in audit plan, external audit fees, and performance rating of the Chief Audit Executive; approved audit rating systems and audit program guide; and endorsed the re-election/re-appointment of external auditor.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Nomination	<i>reviewed the rules governing the nomination and election of directors and the nomination form; discussed the recommendations for promotions and appointments of senior officers; and favorably endorsed the election of the nominees for directors and independent directors in the stockholders' meeting.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Compensation or Remuneration	<i>discussed and acted on the recommendations for increases in annual medical allowance and in salary for officers and supervisors; approved the policies governing officers' compensation.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Compliance Committee	<i>discussed updates on Bangko Sentral ng Pilipinas (BSP) examination and the Bank replies to the BSP report on examination, statutory requirements report, BSP letters on various concerns, BSP exposure drafts, BSP circulars and updates, updates to the Compliance Manual, table of organization of Compliance Office, recommendations on various Bank policies and products, update on Foreign Account Tax Compliance Act (FATCA), Compliance Rating System, performance rating of the Chief Compliance Officer; and update on Compliance Office projects/matters.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Corporate Governance	<i>discussed the new policies, exposures drafts, new circulars or industry consultation papers of SEC and BSP; replies to BSP findings; results of working sessions; Institute of Corporate Directors (ICD) Gold Award and the results of working session on the Asian Corporate Governance Association (AGCA)</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>

	report, results of the Board and Committee self-assessment, updates on the ASEAN scorecard, Philippine Stock Exchange (PSE) Bell Awards; revised the committee Charter; amended the Corporate Governance Manual; corporate governance reform plans; conglomerate map; and favorably endorsed the election of the nominees for directors and independent directors in the stockholders' meeting.	
<i>Risk Management</i>	discussed the reports relating to the Bank's Credit, Market, Liquidity, Interest rate, and Operational risks, including limits monitoring and review, portfolio movement, top borrowers, past due loans, trading activities, risk management guidelines and parameters, simulation and scenario analyses, quarterly reports, annual plan, stress test results, and business impact analysis; reports on risk-return distortions, and real estate exposures; capital position and projections under Basel III; Internal Capital Adequacy Assessment Process (ICAAP) numbers; 2013 plans and roadmap; risk monitoring on fiduciary business; validation of models; revised committee charter; 2013 review of limits package, liquidity package, contingency funding plan, policies and procedures, ALM balance threshold, guidelines on risk-based pricing, review of internal single borrowers limit, borrower credit score, pre-settlement risk factors methodology and assumptions, and rate reasonability parameters.	Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<p>The Executive Committee, when the Board of Directors is not in session, to exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to:</p> <ul style="list-style-type: none"> - approval of any action for which stockholders' approval is also required; - the filling of vacancies in the Board of Directors; - the amendment or repeal of the By-Laws or the adoption of new By-Laws; 	None

	<ul style="list-style-type: none"> - the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; - distribution of cash dividend to the stockholders; and - such other matters as may be specifically excluded or limited by the Board of Directors and/or by laws or regulations. 	
Audit	<p>To provide oversight of the Bank's financial reporting and control and internal and external audit functions.</p> <p>Monitor and evaluate the adequacy and effectiveness of the internal control system.</p> <p>Ensure that the Internal Auditor is free from interference by outside parties.</p> <p>Shall review the effectiveness of the Internal Audit function including compliance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IIA ISPPA).²⁹</p> <p>Shall review annually the Internal Auditor's performance and the approval of his annual compensation and salary adjustments.</p> <p>Monitor the established mechanism by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.</p> <p>Perform oversight of Financial Reporting - Review and discuss with management and external auditors the annual audited financial statements before submission to the Board</p> <p>Perform oversight of Internal Control - Review and discuss with management, the external auditors and internal audit, as appropriate.</p>	

²⁹ Subsection X186.4 (2008 - X164.4) of the MORB

	<p><i>Perform oversight of External Auditors - Select and appoint the external auditors, subject to stockholder ratification.</i></p> <p><i>Ensure that the external auditors are to report directly to the Committee. Approve audit fees and fees for non-audit services, if any.</i></p>	
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Name of Committee	Planned Programs	Issues to be Addressed
Audit	<p><i>Review and discuss the scope and plan of the annual audit. Review and discuss the annual audited financial statements, management letters, regulatory and accounting issues and developments and their effect on the financial statements.</i></p> <p><i>Evaluate the qualifications, performance and independence of the external auditors.</i></p> <p><i>Perform oversight of Internal Audit - Review and concur in the appointment and replacement of the Internal Auditor who shall report directly to the Committee. Review and approve the annual audit plan, staffing and budget,</i></p>	
Nomination	<p><i>and review periodic reports on the status and completion of the plan. Review and discuss the internal audit reports, management's responses and corrective actions on significant audit findings.</i></p> <p><i>To review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval including promotions favorably endorsed by the Promotions Review Committee.</i></p> <p><i>If necessary, to revise the guidelines or criteria to govern the conduct of the nomination, and the same shall be properly disclosed in the company's information or proxy statement or such other reports required to be submitted to the SEC.</i></p> <p><i>To conduct the nomination, more particularly of independent director, prior to a stockholders' meeting. .</i></p> <p><i>To pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters that meet at least the minimum requirement of SEC Memo No. 16 and BSP Circular No. 296 Series of 2001 to facilitate its task to effectively review the qualifications of the nominees</i></p>	None

	<p><i>for directors, more specifically for independent director/s.</i></p> <p><i>After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors, more particularly for independent directors, as required under Part IV (A) and (C) of</i></p>	
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Name of Committee	Planned Programs	Issues to be Addressed
Nomination	<p><i>Annex “C” of SRC Rule 12, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with the SRC Rule 17.1 (b) or the SRC or SRC Rule 20, respectively, or in such other reports the company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director/s shall be identified in such report including any relationship with the nominee.</i></p> <p><i>Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors, more specifically for Independent Directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders’ meeting, except in the unlikely event that a particular nominee/s make/s a last minute withdrawal of his/their acceptance and conformity, become/s incapacitated or otherwise no longer available for any reason whatsoever.</i></p>	
Remuneration	<p><i>Monitor the formal and transparent procedure on a policy on executive remuneration and for fixing the remuneration packages of all Bank personnel and provide oversight over remuneration of all personnel, ensuring that compensation is consistent with the interest of all stakeholders and the Bank’s culture, strategy and control environment.³⁰</i></p> <p><i>To review and approve amount of remuneration, which shall be in a sufficient level to attract and retain directors and all personnel who are needed to manage the Bank successfully.</i></p>	None

³⁰ BSP Circular No. 283

	<i>Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</i>	
Name of Committee	Planned Programs	Issues to be Addressed
Remuneration	<p><i>Disallow any director to decide his or her own remuneration.</i></p> <p><i>Provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.</i></p> <p><i>Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</i></p> <p><i>Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.</i></p>	
Others (specify)		
Corporate Governance	<p><i>To review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.</i></p> <p><i>Ensure that the Board's effectiveness and due observance of Corporate Governance principles and guidelines.</i></p> <p><i>Observe the periodic evaluation of the board and its committees and executive management. It shall also conduct an annual self-evaluation of the Board's performance.</i></p> <p><i>To coordinate with external facilitators, if deemed necessary, in carrying out board assessment, within the frequency approved by the entire board. Presently an internal self-assessment is conducted annually.</i></p> <p><i>To decide whether or not a Director is able to and has been adequately carrying</i></p>	

	<p>out his/her duties as Director based on its own assessment or the assessment of external facilitators, bearing in mind the Director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when Directors serve on multiple boards.</p> <p>To make recommendations to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Board members and Senior Officers, and their remuneration commensurate with corporate and individual performance.</p> <p>To decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.</p>	
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F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Excerpts from the CBC Risk Management Policies Manual –

The Bank's philosophy is that risk is uncertainty. The loss of a certain amount with near certain probability can present less risk than a profit of a certain amount with significant uncertainty, or unknown probability.

The Bank believes that risk ubiquitous in all of: the Bank's activities; its assets and liabilities; the markets it trades; and the systems it adopts. Risk is incurred with the counterparties in its transactions, present in the people it hires.

The Bank believes that it should have a single comprehensive risk management system covering any an all risks arising from every banking activity.

The Bank believes that the existence of high risk in any area is not necessarily a concern, so long as the Bank's single comprehensive risk management system has the ability to effectively manage that level of risk.

The Bank believes that it must develop risk/reward consciousness at all levels in the Bank to ensure that risk will not be avoided when the Bank believes it is being adequately compensated for the risk it is taking on.

The Bank should adhere to the risk limits approved by the Board of Directors (Board) and should be governed by the regulatory requirement set by the Bangko Sentral ng Pilipinas (BSP).

2) Risk Policy

- (a) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

In accordance with the Bank's Corporate Governance Manual, it is the responsibility of the Board to approve and oversee the implementation of the risk management policy, which shall include the following: comprehensive risk management approach, a detailed structure of limits, guidelines and other parameters used to govern risk-taking, a clear delineation of lines of responsibilities for managing risk, an adequate system for measuring risk, effective internal control and comprehensive risk-reporting process. Accordingly, the Board receives report from the Audit Committee on the review of the effectiveness of the risk management, internal control, operations and compliance controls. All of Bank's employees contribute to the appreciation of the bank's overall risk exposures.

- (b) Period covered by the review;

2014

- (c) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The review of risk management processes is performed all year round during the audit of the various units of the Bank. The criteria for assessing the effectiveness of the processes includes completeness of significant risks identified, appropriateness of risk measurement tools, adequacy of documented risk management policies and strategies, effectiveness of mitigating controls and compliance with reporting requirements.

- (d) Where no review was conducted during the year, an explanation why not.

There is a continuous review; A review was conducted in 2014.

3) Risk Policy

- (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Liquidity Risk	Annual review and approval of Liquidity Risk Limits; Stress Testing, Contingency Funding Plan and Large Funds Provider; Regular monitoring of the Bank's liquidity gaps and adherence to limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.	To have adequate liquidity to meet financial obligations of the Bank at all times and limit risk taking activities within the risk parameters defined by the RMC/BOD.

Risk Exposure	Risk Management Policy	Objective
<i>Interest Rate Risk in the Banking Book</i>	<i>Annual review and approval of Interest Rate Risk Limits; Stress Testing; Regular monitoring of potential impact of changes in interest rates to the Bank's earnings against approved limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</i>	<i>To pro-actively manage the Bank's interest rate risk in the banking book and limit risk taking activities within the risk parameters defined by the RMC/BOD.</i>
<i>Market Risk</i>	<i>Annual review and approval of Market Risk Limits; Stress Testing; Regular monitoring of potential loss amount (Value-at Risk) and month-to-date gains/losses (Management Action Trigger) from changes in market risk factors such as interest rates, fx rates, and equity prices. Reporting of limits utilization and escalation of breaches to the Management Committee (Mancom) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</i>	<i>To proactively manage the Bank's market risk and limit risk taking activities are within the risk parameters defined by the RMC/BOD.</i>
<i>Credit Risk</i>	<p><i>The credit risk management policy aims to maintain a strong credit discipline in the Bank and to stress the importance of adherence to credit policies.</i></p> <p><i>It additionally intends to continue to strengthen the ability to detect indication of asset quality deterioration and credit concentration, through the expansion of analytics to assess the profile of the credit portfolio and capture adverse trends and vulnerabilities, as well as identify profit and growth opportunities.</i></p> <p><i>All of these are intended to attain the Bank's credit objectives:</i></p> <p><i>I. To maintain at all times a sound loan portfolio;</i></p> <p><i>II. To continually upgrade the quality of its loan portfolio;</i></p> <p><i>III. To produce a fair return on its lending and investing activities within the guidelines set forth by management; and</i></p> <p><i>IV. To increase the risk assets, through well-planned marketing and business development programs, to the maximum risk assets/net worth ratio allowed by Bangko Sentral ng Pilipinas (BSP), but with a safe margin for any contingencies.</i></p>	<i>All officers and staff involved in the credit risk process have a clear and thorough understanding of the credit risk appetite and the minimum requirements that must be followed in the assessment, approval, monitoring and management of credit risk.</i>

Risk Exposure	Risk Management Policy	Objective
<i>Operational Risk</i>	<i>The Operational Risk Management Unit provides guidance in managing day to day operational risks of the Bank through the following: Product Review and Approval Policy; Operational Risk Assessment Program; Centralized Loss Database; Key Risk Indicators; Business Continuity Management Framework; IT Risk Management Framework</i>	<i>The objective of operational risk management is to have a clear understanding of the financial institution's operational risk by way of both qualitative and quantitative assessments. The management of specific operational risks is not a new practice as it has always been important for banks to develop mechanism necessary to prevent fraud, maintain the integrity of internal controls, and reduce errors in transactions processing, among others.</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Liquidity Risk</i>	<i>Annual review and approval of Liquidity Risk Limits; Stress Testing, Contingency Funding Plan and Large Funds Provider; Regular monitoring of the Bank's liquidity gaps and adherence to limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</i>	<i>To have adequate liquidity to meet financial obligations of the Bank at all times and limit risk taking activities within the risk parameters defined by the RMC/BOD.</i>
<i>Interest Rate Risk in the Banking Book</i>	<i>Annual review and approval of Interest Rate Risk Limits; Stress Testing; Regular monitoring of potential impact of changes in interest rates to the Bank's earnings against approved limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</i>	<i>To pro-actively manage the Bank's interest rate risk in the banking book and limit risk taking activities within the risk parameters defined by the RMC/BOD.</i>
<i>Market Risk</i>	<i>Annual review and approval of Market Risk Limits; Stress Testing; Regular monitoring of potential loss amount (Value-at Risk) and month-to-date gains/losses (Management Action Trigger) from changes in market risk factors such as interest rates, fx rates, and equity prices. Reporting of limits utilization and escalation of breaches to the Management Committee (Mancom) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</i>	<i>To proactively manage the Bank's market risk and limit risk taking activities within the risk parameters defined by the RMC/BOD.</i>

Risk Exposure	Risk Management Policy	Objective
<i>Credit Risk</i>	<p><i>The credit risk management policy aims to maintain a strong credit discipline in the Bank and to stress the importance of adherence to credit policies.</i></p> <p><i>It additionally intends to continue to strengthen the ability to detect indication of asset quality deterioration and credit concentration, through the expansion of analytics to assess the profile of the credit portfolio and capture adverse trends and vulnerabilities, as well as identify profit and growth opportunities.</i></p> <p><i>All of these are intended to attain the Bank's credit objectives:</i></p> <p><i>I. To maintain at all times a sound loan portfolio;</i></p> <p><i>II. To continually upgrade the quality of its loan portfolio;</i></p> <p><i>III. To produce a fair return on its lending and investing activities within the guidelines set forth by management; and</i></p> <p><i>IV. To increase the risk assets, through well-planned marketing and business development programs, to the maximum risk assets/net worth ratio allowed by Bangko Sentral ng Pilipinas (BSP), but with a safe margin for any contingencies.</i></p>	<i>All officers and staff involved in the credit risk process have a clear and thorough understanding of the credit risk appetite and the minimum requirements that must be followed in the assessment, approval, monitoring and management of credit risk.</i>
<i>Operational Risk</i>	<p><i>The Operational Risk Management Unit provides guidance in managing day to day operational risks of the Bank through the following: Product Review and Approval Policy;</i></p> <p><i>Operational Risk Assessment Program;</i></p> <p><i>Centralized Loss Database;</i></p> <p><i>Key Risk Indicators;</i></p> <p><i>Business Continuity Management Framework;</i></p> <p><i>IT Risk Management Framework</i></p>	<i>The objective of operational risk management is to have a clear understanding of the financial institution's operational risk by way of both qualitative and quantitative assessments. The management of specific operational risks is not a new practice as it has always been important for banks to develop mechanisms necessary to prevent fraud, maintain the integrity of internal controls, and reduce errors in transactions processing, among others.</i>

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p><i>Like any other company, there is a risk of "expropriation" of minority shareholders by the controlling shareholders of the Bank. However, the Bank's By-Laws and the Corporation Code expressly spell out a number of rights that even minority shareholders possess, such as right to attend and vote on major corporate events at annual meetings, right to dissent and demand fair value of shares, pre-emptive right, and right to inspect corporate books.</i></p>

Where the affairs of the Bank can be demonstrated to have been conducted by the majority shareholders in a manner unfairly prejudicial to the minority shareholders, minority shareholders may avail of remedies set out by laws in order to protect their rights.

4) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Liquidity Risk</i>	Measurement of liquidity gaps and monitoring of adherence to limits is done through the Maximum Cumulative Outflow (MCO) report. Control is established through the MCO limits approved by the RMC/BOD. Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD, through the RMC.	The Risk Management Group (RMG) generates MCO reports and sends limits utilization to the Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD. Other tools used to monitor the Bank's liquidity include liquidity ratios and large funds providers report.
<i>Interest Rate Risk in the Banking Book</i>	Measurement of repricing gaps and monitoring of adherence to limits is done through the Earnings-at-Risk (EAR) report. Control is established through the EAR limits approved by the RMC/BOD; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC	The Risk Management Group (RMG) EAR generates reports and sends limits utilization to Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD,
<i>Market Risk</i>	Measurement of market risk and monitoring of adherence to limits is done through the daily VaR reports. Control is established through the VaR Limits and Management Action Triggers approved by the RMC/BOD annually; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC	The Risk Management Group (RMG) generates daily VaR reports containing VaR and MAT utilization and sends this to Treasury Group and Treasury Operations. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the Mancom and the RMC/BOD. Other tools to manage market risk are scenario analysis/stress testing, market liquidity triggers, backtesting, rate reasonability testing, trader designation/authorization, and product manuals
<i>Credit Risk</i>	1) Management of Large Exposure, Credit Risk Concentrations, and other Credit Risk parameters	Monitoring of - loan portfolio movements - CBC ratios on past dues, non-performing loans, and non-performing assets - regulatory and internal limits of Single Borrower's Limit - profile of top borrowers and groups (P500M and up) - aggregate ceiling on DOSRI loans - ceiling of total unsecured DOSRI loans - portfolio mix and industry division limits

		<ul style="list-style-type: none"> - large exposure threshold -industry concentration using Herfindahl-Hirschman Index (HHI) - CBC vs UKB comparison on industry exposures - aging of past dues - booked reserves
	<p>2) Credit Risk Rating System</p> <p>a. Internal Credit Risk Rating System (ICRRS) for companies with loans or assets of P15M and over</p> <p>b. Borrower Credit Score (BCS) for borrowers with loans or assets of less than P15M</p>	Monitoring of unrated accounts and those due for annual review, Borrower Risk Rating Profile, Loan Exposure Rating Profile, rating distortions and movements
	3) Credit Stress Test and Scenario Analysis	Stress testing of total loan portfolio, large exposures, industry concentrations, high risk loans (e.g., adversely classified, watchlisted, those in exit industries), and exposures to real estate and related industries; and Reverse stress test on the total loan portfolio
	4) Credit Review Process	Credit review and progress monitoring of the loan portfolio of all lending units, i.e., Institutional Banking Group, Branch Banking Group including Binondo Business Center, and Consumer Banking Group; Review, monitoring, and validation of the credit classification and loan loss provisioning of loan accounts
<p>Internal Fraud</p> <p>External Fraud</p> <p>Execution, Delivery and Process Management</p>	<p>Reports on Crimes and Losses received from the different units of the bank which is inputted to the Centralized Loss Database where summary/statistical reports are presented quarterly to ManCom and Risk Management Committee</p>	<p>The Risk Management Group is mandated by the Board of Directors to establish and maintain a Centralized Loss Database which shall contain all reported/documented incidents of crimes and losses regardless whether it is consummated or frustrated/attempted and the status of restitution/recovery of losses incurred. The prompt updating of the Centralized Loss Database is dependent on the implementation of a standard approach in documenting/reporting incidents of crimes/losses for all units of the Bank using a prescribed report format. It is also important to have a clear delineation of responsibilities/accountabilities in reporting incidents and the distribution of the report.</p>
	<p>Risk and Control Self Assessment (RCSA) annually performed by the different units of the bank where results are analyzed, consolidated and presented to the Risk Management Committee including the RMG's recommendations.</p>	<p>Identification and assessment of the operational risks inherent in all material products, activities, processes and systems is done through the Operational Risk Control and Self-Assessment (RCSA) Program. With this program, the Bank can systematically track and record the frequency, severity and present internal controls in place to mitigate the individual operational risk events. Such data provides meaningful information for assessing the Bank's exposure to</p>

		operational risk and developing a strategy to mitigate/control the risk.
	Key Risk Indicators Summary/trends reports collected from the different units of the bank monthly while results are analyzed, consolidated and presented quarterly to ManCom and Risk Management Committee	Key Risk Indicators (KRIs) are early warning signals that attempt to identify potential operating losses before they happen and raise flags if they go outside an established range. It is forward looking and reflects potential sources of operational risk such as rapid growth, introduction of new products, employee turnover, system downtime, etc. KRIs shall be established in coordination with concerned units based on sufficient/adequate results of the RCSA program (i.e., at least for four rounds of RCSA exercises), historical internal loss events and related internal audit findings to ensure the escalation of significant risk issues to appropriate management levels. Regular reviews shall be carried out by internal audit to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted in a controlled manner.
Clients, Products and Business Practices	Product Review and Approval Process where appropriate review and sign-off obtained from stakeholders identified as relevant to the newly developed or enhanced product	Because the Bank shall strive to document all its products as part of the Risk Process, operational control must begin even from the product process, and starts with the verification of the Product Manual. This key document of the Bank shall provide a comprehensive description of the product, including the identification of all risk factors. A review of all Product Manuals shall be undertaken periodically (e.g. at least annually) and in particular an assessment of their content by concerned units of the Bank.
Damage to Physical Assets; Business Disruption and System Failure	Business Continuity Planning and Disaster Recovery Planning proper documentation and sufficient testing on necessary components depending on the bank's current capabilities	The Operational Risk Management Division is primary responsible for overseeing the effective implementation and execution of the Bank's Business Continuity Plan. Any related losses shall be promptly documented and coordinated with the Risk Management Group for purposes of updating the Bank's Centralized Loss Database.
Legal Risk	Report on Status of Administrative and Criminal Cases Filed By and Against the Bank	The Legal and Collection Division is the unit primarily responsible for the effective and efficient management of the Bank's legal risk. On a periodic basis, a Report on Status of Administrative and Criminal Cases Filed By and Against the Bank shall be submitted to the Risk Management Committee thru the Risk Management Group for information and appropriate action. Same report shall be use to update related cases contained in the Centralized Loss Database.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Fiduciary Risk</i>	<i>Report on Status of Administrative and Criminal Cases Filed By and Against the Bank</i>	<i>Fiduciary Risks are those that arise from the additional responsibilities expected of the Bank and its employees because of the public trust inherent in the Banking charter. It is related to legal risks, as events arising from these risks typically lead to legal action from one or more counterparties.</i>
<i>Regulatory/Compliance Risk</i>	<i>Continuous monitoring on the Bank's compliance with regulatory provisions</i>	<i>The Bank's Compliance Office is primarily responsible to manage the Bank's regulatory/compliance risk in coordination with concerned units of the Bank.</i>
<i>Personnel Risk</i>	<i>Risk Awareness Orientation</i>	<i>The Human Resources Division is primarily responsible to address this particular type of risk. The Risk Management Group shall extend help in the promotion of risk awareness among bank personnel thru conduct of regular orientations for new bank employees; participate as resource person in supervisory and officers' developmental programs and on other risk management topics that may be necessary to inculcate the value of effective and efficient risk management.</i>
<i>Information Security and Technology Risk</i>	<i>Access Management Information Security Awareness Information Security Policy and Guidelines Technology Security Standard Configurations</i>	<i>Information Security and Technology Risk covers financial loss due to unauthorized/illegal use of Bank's information assets and technology-related products, services, delivery channels and process. The Information Security Office is the unit primarily responsible to manage this particular type of risk.</i>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Liquidity Risk</i>	<i>Measurement of liquidity gaps and monitoring of adherence to limits is done through the Maximum Cumulative Outflow (MCO) report. Control is established through the MCO limits approved by the RMC/BOD. Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD, through the RMC.</i>	<i>The Risk Management Group (RMG) generates MCO reports and sends limits utilization to the Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD. Other tools used to monitor the Bank's liquidity include liquidity ratios and large funds providers report.</i>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Interest Rate Risk in the Banking Book</i>	<i>Measurement of repricing gaps and monitoring of adherence to limits is done through the Earnings-at-Risk (EAR) report. Control is established through the EAR limits approved by the RMC/BOD; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC</i>	<i>The Risk Management Group (RMG) EAR generates reports and sends limits utilization to Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD,</i>
<i>Market Risk</i>	<i>Measurement of market risk and monitoring of adherence to limits is done through the daily VaR reports. Control is established through the VaR Limits and Management Action Triggers approved by the RMC/BOD annually; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC</i>	<i>The Risk Management Group (RMG) generates daily VaR reports containing VaR and MAT utilization and sends this to Treasury Group and Treasury Operations. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the Mancom and the RMC/BOD. Other tools to manage market risk are scenario analysis/stress testing, market liquidity triggers, backtesting, rate reasonability testing, trader designation/authorization, and product manuals</i>
<i>Credit Risk</i>	<i>1) Management of Large Exposure, Credit Risk Concentrations, and other Credit Risk parameters</i>	<i>Monitoring of</i> <ul style="list-style-type: none"> - loan portfolio movements - CBC ratios on past dues, non-performing loans, and non-performing assets - regulatory and internal limits of Single Borrower's Limit - profile of top borrowers and groups (P500M and up) - aggregate ceiling on DOSRI loans - ceiling of total unsecured DOSRI loans - portfolio mix and industry division limits - large exposure threshold - industry concentration using Herfindahl-Hirschman Index (HHI) - CBC vs UKB comparison on industry exposures - aging of past dues - booked reserves
	<i>2) Credit Risk Rating System</i> <i>a. Internal Credit Risk Rating System (ICRRS) for companies with loans or assets of P15M and over</i> <i>b. Borrower Credit Score (BCS) for borrowers with loans or assets of less than P15M</i>	<i>Monitoring of unrated accounts and those due for annual review, Borrower Risk Rating Profile, Loan Exposure Rating Profile, rating distortions and movements</i>
	<i>3) Credit Stress Test and Scenario Analysis</i>	<i>Stress testing of total loan portfolio, large exposures, industry concentrations, high risk loans (e.g., adversely classified, watchlisted, those in exit industries), and exposures to real estate and related industries; and Reverse stress test on the total loan portfolio</i>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	4) Credit Review Process	Credit review and progress monitoring of the loan portfolio of all lending units, i.e., Institutional Banking Group, Branch Banking Group including Binondo Business Center, and Consumer Banking Group; Review, monitoring, and validation of the credit classification and loan loss provisioning of loan accounts
Internal Fraud External Fraud Execution, Delivery and Process Management	<p>Reports on Crimes and Losses received from the different units of the bank which is inputted to the Centralized Loss Database where summary/statistical reports are presented quarterly to ManCom and Risk Management Committee</p> <p>Risk and Control Self Assessment (RCSA) annually performed by the different units of the bank where results are analyzed, consolidated and presented to the Risk Management Committee including the RMG's recommendations.</p> <p>Key Risk Indicators Summary/trends reports collected from the different units of the bank monthly while results are analyzed, consolidated and presented quarterly to ManCom and Risk Management Committee</p>	<p>The Risk Management Group is mandated by the Board of Directors to establish and maintain a Centralized Loss Database which shall contain all reported/documented incidents of crimes and losses regardless whether it is consummated or frustrated/attempted and the status of restitution/recovery of losses incurred. The prompt updating of the Centralized Loss Database is dependent on the implementation of a standard approach in documenting/reporting incidents of crimes/losses for all units of the Bank using a prescribed report format. It is also important to have a clear delineation of responsibilities/ accountabilities in reporting incidents and the distribution of the report.</p> <p>Identification and assessment of the operational risks inherent in all material products, activities, processes and systems is done through the Operational Risk Control and Self-Assessment (RCSA) Program. With this program, the Bank can systematically track and record the frequency, severity and present internal controls in place to mitigate the individual operational risk events. Such data provides meaningful information for assessing the Bank's exposure to operational risk and developing a strategy to mitigate/control the risk.</p> <p>Key Risk Indicators (KRIs) are early warning signals that attempt to identify potential operating losses before they happen and raise flags if they go outside an established range. It is forward looking and reflects potential sources of operational risk such as rapid growth, introduction of new products, employee turnover, system downtime, etc. KRIs shall be established in coordination with concerned units based on sufficient/adequate results of the RCSA program (i.e., at least for four rounds of RCSA exercises), historical internal loss events and related internal audit findings to ensure the escalation of significant risk issues to appropriate management levels.</p>

		Regular reviews shall be carried out by internal audit to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted in a controlled manner.
Clients, Products and Business Practices	Product Review and Approval Process where appropriate review and sign-off obtained from stakeholders identified as relevant to the newly developed or enhanced product	Because the Bank shall strive to document all its products as part of the Risk Process, operational control must begin even from the product process, and starts with the verification of the Product Manual. This key document of the Bank shall provide a comprehensive description of the product, including the identification of all risk factors. A review of all Product Manuals shall be undertaken periodically (e.g. at least annually) and in particular an assessment of their content by concerned units of the Bank.
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Fiduciary Risk	Report on Status of Administrative and Criminal Cases Filed By and Against the Bank	Fiduciary Risks are those that arise from the additional responsibilities expected of the Bank and its employees because of the public trust inherent in the Banking charter. It is related to legal risks, as events arising from these risks typically lead to legal action from one or more counterparties.
Regulatory/Compliance Risk	Continuous monitoring on the Bank's compliance with regulatory provisions	The Bank's Compliance Office is primarily responsible to manage the Bank's regulatory/compliance risk in coordination with concerned units of the Bank.
Personnel Risk	Risk Awareness Orientation	The Human Resources Division is primarily responsible to address this particular type of risk. The Risk Management Group shall extend help in the promotion of risk awareness among bank personnel thru conduct of regular orientations for new bank employees;

		<i>participate as resource person in supervisory and officers' developmental programs and on other risk management topics that may be necessary to inculcate the value of effective and efficient risk management.</i>
<i>Information Security and Technology Risk</i>	<i>Access Management Information Security Awareness Information Security Policy and Guidelines Technology Security Standard Configurations</i>	<i>Information Security and Technology Risk covers financial loss due to unauthorized/illegal use of Bank's information assets and technology-related products, services, delivery channels and process. The Information Security Office is the unit primarily responsible to manage this particular type of risk.</i>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
<i>Risk Management Committee</i>	<i>Accountable for overall governance of operational and technology related risks</i>	<i>Has governance over and ultimate accountability for the risk management framework of the bank and aligns the mandate of the RMG with overall bank strategy and shareholder interests</i>
<i>Management Committee</i>	<i>Responsible for the oversight and management of operational related risks</i>	<i>Responsible for managing material risks in all products, activities, processes and systems. Oversee the implementation and maintenance of policies, processes and systems in managing operational risks</i>
<i>Technology Steering Committee</i>	<i>Responsible for the oversight and management of technology related risks</i>	<i>Provides updates on the initiatives, issues and progress of IT relevant projects during its meetings through the reading and submission of its minutes to the BOD during its monthly meetings. Approval on IT relevant initiatives are also raised to BOD during the said meeting</i>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Bank adheres to the following minimum internal control standards, in accordance with Section X185 of the Manual of Regulations for Banks (MORB):

- Proper accounting records*
There is a proper and adequate accounting record, and these records are up-to-date and contain sufficient detail to establish an audit trail.
- Independent balancing*
- Division of duties and responsibilities*
- Joint Custody*
- Defined signing authorities*
- Dual Control*

7. *Number Control System, in registering notes, issuing official checks and in other similar situations.*
8. *Rotation of duties*
9. *Independence of Internal auditor*
10. *Confirmation of accounts*
11. *Other internal control standards*

In addition, the Bank also has the following Independent units to enhance internal control system.

1. *Risk Management Group*
2. *Compliance Office*

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board is responsible for the establishment and review of China Bank's system of internal control, while the day-to-day responsibility for internal control rests with management. All of our employees are involved to a certain degree in our internal control process.

- (c) Period covered by the review; 2014.
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Annual review is conducted.

- (e) Where no review was conducted during the year, an explanation why not.

A review was conducted in 2014.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>The role of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a</i>	<i>➤ Internal Audit Division's scope of work covers the assessment of Bank's system of risk management, control, and governance processes, as designed and represented by management, to determine whether it is adequate and</i>	<i>CBC has an in-house Internal Audit Function established by the Board of Directors thru the Audit Committee.</i>	<i>The Chief Audit Executive (CAE) is Ms. Marilyn G. Yuchenkang</i>	<i>The Internal Audit Division thru the CAE reports functionally to the Audit Committee and administratively to the President/CEO</i>

<i>systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</i>	<i>functioning effectively and efficiently.</i> ➤ <i>The Internal Audit Division also provides advisory services to assist Board of Directors and management in meeting their objectives.</i>			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, as embodied in the Audit Committee Charter, the Audit Committee has the sole power to appoint and replace the Chief Audit Executive (CAE).

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The CAE has open and direct access (functional reporting) to the Audit Committee at all times, to discuss matters affecting the internal audit activity and at least once a year, the CAE meets privately with the Audit Committee without management's presence. The Audit Charter contains the authority of Internal Audit Division to have unrestricted access to all functions, records/documents, files, accounts, property, and personnel during the course of their examination with strict accountability for confidentiality and safeguarding of information obtained.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<i>For 2014 there are twenty (20) resignations and one (1) transfer to another department within the Audit Division.</i>	<i>The main reason for resignation/transfer is to pursue personal growth/development and other opportunities.</i>

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	<i>The Annual Audit Plan of Internal Audit is reviewed and approved by the Audit Committee including any subsequent changes therein. Each department shall ensure that the approved plan will be executed on a timely manner. The progress against the approved plan is reported to the Audit Committee semi-annually.</i>
Issues³¹	<i>The internal audit activity has no outstanding issues noted during their engagement. The results of the audit convey findings which arise from the violation of established Bank's policies and procedures.</i>
Findings³²	<i>The noted findings focused mainly on minor procedural lapses of the personnel in relation to the approved policies and procedures of the Bank.</i>

³¹ "Issues" are compliance matters that arise from adopting different interpretations.

³² "Findings" are those with concrete basis under the company's policies and rules.

Examination Trends	<i>Based on the audit reports, the examination trend highlights some minor procedural lapses.</i>
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[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<i>The Internal Audit Division established a Quality Assurance & Improvement Program (QAIP) thru Quality Assurance & Control Dept. (QACD), this will serve as a control mechanism in ensuring the quality of internal audit function. QAIP is designed to evaluate the internal audit activity's conformance with the Institute of Internal Auditors' (IIAs') Definition of Internal Auditing, Standards and the Code of Ethics. The Program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</i>	<i>The Quality Assurance & Improvement Program was implemented since April 2012. Based on the ongoing and periodic assessments the internal audit activity is aligned with the IIAs' International Standards for the Professional Practice of Internal Auditing (Standards).</i>

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>For Internal Audit</i> ➤ <i>To provide for the independence of the Internal Audit Division, its personnel report to the Chief Audit Executive who in turn reports functionally to the Board of Directors through the Audit Committee, and administratively to the President and Chief Executive</i>	<i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i> <i>1. The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i>	<i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i> <i>1. The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i>	<i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i> <i>1. The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i>

<p><i>Officer.</i></p> <p>➤ <i>To maintain its independence, the Internal Audit Division should have no direct operational responsibility or authority over any of the activities which is out of scope.</i></p>	<p><i>2. The Bank ensures quick response to their requirements or requests.</i></p> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>	<p><i>2. The Bank ensures quick response to their requirements or requests.</i></p> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>	<p><i>2. The Bank ensures quick response to their requirements or requests.</i></p> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>
<p>➤ <i>The Audit Committee shall ensure that the Chief Audit Executive/Internal Auditor is free from interference by outside parties.</i></p> <p>➤ <i>The Internal Audit Division has a Charter approved by the Board of Directors which articulates and guarantees the independence and authority of internal auditors.</i></p>			

- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Annual Certification on Bank's compliance with the SEC Code of Corporate Governance attested by the Chief Compliance Officer and by the President & CEO.

H. ROLE OF STAKEHOLDERS

- 1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<i>China Bank is committed to fair and economically sound consumer practices, adhering to RA 7394 Consumer Act of the Philippines of 1991, the BSP's Consumer Laws, and the various laws regulating the financial industry as well as protecting consumers; promoting consumer interest by providing complete and truthful information to build confidence in our products, services, people, and our institution and</i>	<i>All China Bank branches display the BSP-required posters and all China Bank customer documents like passbooks, certificates of deposit, loan application forms, etc. contain the BSP-required disclosures. Our personnel take the time to explain the fees, method of computation, and other pertinent information to customers and regularly update them on material changes through the statement of account, e-mail,</i>

	<i>upholding consumer rights by developing and implementing a system to address and manage customer complaints and other customer issues.</i>	<i>phone call, and display of advisories in the branches. The policies and procedures in handling and resolving customer complaints are constantly reviewed and improved. In addition, the branches have a suggestion box for customer suggestions and complaints. We intend to support the Consumer Protection Framework BSP is developing to standardize the consumer practices of all covered financial institutions in the country.</i>
Supplier/contractor selection practice	<i>We maintain high legal, ethical, and professional standards in the management of the Bank's resources, ensuring that the goods or services procured are fit for the purpose and provide the Bank with the best value available; that risks to personnel, company assets, and the environment arising from the contracting or supply of materials, equipment, and services are reduced to a level which is as low and as reasonably practicable as possible; and that it deals with suppliers and contractors that have the necessary experience, capability, and financial viability to undertake the work safely, economically, and technically correct, in an environmentally sound manner, and in accordance with the contract, schedule, and applicable laws and regulations. We are committed to fair marketplace practices, selecting suppliers and contractors through an open and non-discriminatory process, based on criteria that ensure a thorough and competitive selection process: quality, price, service, and overall value to China Bank. We follow standards of objectivity, impartiality, and equality of opportunity, preventing any favoritism or interference from conflicts of interest</i>	<p><i>There are several projects in 2013;</i></p> <ul style="list-style-type: none"> - Interior construction of new branches - Renovation/expansion of a branches - new building construction - Procurement of new technologies and licenses.
	<i>in the selection of suppliers and contractors. We have a supplier/contractor accreditation process which is the preliminary step to pre-qualification at China Bank. Suppliers and contractors invited to bid are evaluated accordingly prior to contract award. They are also evaluated on the basis of actual performance as compared to promised delivery dates, quality of work / goods, and adherence to agreed specifications and purchase order prices.</i>	

Environmentally friendly value-chain	<p><i>We integrate social, environmental, and governance practices into our day-to-day business activities to maintain a balance between the Bank's business interests and our stakeholders' welfare, and create a positive impact on our people, customers, investors, the environment, the economy, and the communities we serve. We work hand in hand with our employees to raise awareness of environmental issues and promote reducing, reusing, and recycling.</i></p>	<p><i>For over ten years now, China Bank has a solid waste management program, which is continually implement and improve on. Garbage is properly segregated and the recyclable materials are turned over to recycling partners at regular intervals. The Bank is also actively involved in the program "Promoting Energy Efficiency in the Makati Central Business District" which primarily aims to promote energy efficiency and help alleviate climate change. And in the last six years, we have implemented projects to progressively lessen our operation's impact on the environment, like switching to energy efficient lighting and air conditioning systems, acquiring technologies to automate processes, including installing video conferencing facilities at the head office and business centers in Luzon, Visayas, and Mindanao to reduce the need for travel and thereby contribute to a reduction in land and air travel emissions. We have also developed policies on conserving energy, water, and paper supplies bank wide and have begun using recycled paper for annual reports, and eventually other publications and printed marketing materials. The internal "Going Green" campaign launched in 2012 was sustained in 2013, enjoining employees to adopt as well as promote sustainable working and living practices to others. The heads of the different branches, departments, and subsidiaries are the environment ambassadors tasked to remind the staff to support the campaign at every possible opportunity, as well as to monitor and police their own areas of responsibility.</i></p>
Community interaction	<p><i>We integrate social, environmental, and governance practices into our day-to-day business activities to maintain a balance between the Bank's business interests and our stakeholders' welfare, and create a positive impact on our people, customers, investors, the environment, the economy, and the communities we serve. We engaged our employees and partnered with customers, various community groups, and charitable organizations to support causes that serve the interests and the needs of society as a whole.</i></p>	<p><i>The Bank supports various noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism. At the same time, the Bank's branches nationwide actively participate in a number of local events such as sports tournaments, cultural fairs, and anniversary celebrations and conventions of different associations, organizations, and universities to uphold community values and traditions and foster camaraderie in the communities where the Bank operates. In 2013, we continued to contribute to social development, again supporting the Child Sponsorship Program of CFC-ANCOP (Answering the Cry of the Poor, a ministry of Couples for Christ),</i></p>

		<p>sponsoring 16 ANCOP scholars for the school year 2013-2014. At the same time, deserving children of China Bank employees continue to benefit from the Bank's scholarship programs for high school and college education—the G.U.D Scholarship Fund, named after Board Vice Chairman Gilbert U. Dee, and the D.C.C. Scholarship Fund, named after our founding father, Dee C. Chuan. In addition, China Bank is committed to help in times of great need. Donation drives were conducted for the victims of the three major disasters in 2013: Typhoon Maring, Bohol Earthquake, and Typhoon Yolanda. Proceeds of the Typhoon Maring and Bohol Earthquake donation drives were turned over to the Philippine Red Cross for relief efforts. Taking the long-term view on the rehabilitation assistance for Yolanda victims, the proceeds of the Typhoon Yolanda donation drive will be used to help survivors get back on their feet through viable livelihood. we are working with a humanitarian organization on this project and details are still being finalized.</p>
Anti-corruption programmes and procedures?	<p>We are committed to honest and ethical conduct of our business, guided by our Core Values: Integrity, High Performance Standards, Commitment to Quality, Customer Service Focus, Concern for People, Efficiency, and Resourcefulness / Initiative. These core values are also the foundation of our Code of Ethics which provides clear guidelines on acceptable and unacceptable behavior and business practices. The Bank's Code of Ethics is applicable to all of our directors, officers, and employees.</p>	<p>We have a whistle-blowing policy, wherein employees, customers, shareholders, and third party service providers are encouraged to report questionable activity, unethical conduct, fraud or any other malpractice by mail, phone or re-mail, without fear of reprisal or retaliation because the identity of the whistleblower is kept confidential. Disclosures are directed to the attention of the Chief Compliance Officer, who is responsible to determine the sufficiency and validity of the report. If determined sufficient in form and substance, the CCO shall refer the disclosure either to the Audit Division and/ or Human Resources Division for further investigation. If the CCO finds the report baseless, he is required to respond to the Whistleblower of its status within 24 hours from receipt thereof. Meritorious disclosure, as may be determined by the CCO should be given recognition and may be entitled to an award as deemed necessary by the HRD or the Investigation Committee.</p>
Safeguarding creditors' rights	<p>Enshrined in the Bank's Mission is its Policy on Customer Welfare.</p> <p>"We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals, here and abroad, to meet their financial needs and exceed their</p>	<p>Bank deposits are insured with the PDIC up to a maximum of P500,000.00</p> <p>In compliance with BSP Rules, proper disclosures are done on:</p> <p>Deposit Interest; Truth in Lending Act;</p>

	<p>rising expectations. We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly motivated team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology. We will maintain the highest ethical standards, sense of responsibility and fairness with respect to our customers, employees, shareholders, and the communities we serve.”</p>	<p>Notice on temporary closure due to relocation; Publication of Statement of Condition; Posting of Audited Financial Statement and availability of the Annual Report in conspicuous areas of the branches and business office; Notice to depositors on: cut-off time; service charges and maintenance fees at teller’s counters or conspicuous area of the branch.</p>
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2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, The Bank’s Annual Report has a separate Section on Corporate Social Responsibility.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company’s policy for its employees’ safety, health, and welfare?

We take genuine interest in our people’s welfare. We advocate a good work-life balance to keep our team motivated, healthy, and energized. Our employees enjoy adequate personal and family time-off, and are allowed to have flexible work schedules, as warranted.

In place are various sports, recreational, and health and wellness programs to provide our employees with activities outside of the workplace, strengthen camaraderie, and promote community participation and personal growth. We have a year-round schedule of sports activities like bowling, basketball, and badminton, as well as health and wellness programs in the form of group exercises (e.g. Zumba and Aerobics) as a way to improve one’s physical condition and not only to release stress after a hard day’s work. This is in addition to the series of activities (i.e. check-up, immunization) and articles on health and wellness which we publish monthly.

We also continually review our HR policies, developing new ones not only in compliance with laws and regulations, but also in keeping with our commitment to protect our greatest asset—our people. All HR policies are available in China Bank’s intranet system for easy reference of employees.

The following policies, among others, with regard to employee welfare are in place in the Bank:

- *Battered Women Leave*
- *Hepatitis B Prevention and Control in the Workplace*
- *Drug-free Workplace*
- *Solo Parent Leave*
- *Tuberculosis Prevention and Control in the Workplace*
- *Tuberculosis (TB) in the workplace pursuant to DOLE Department Order No.73-05 Series of 2005*
- *HIV and AIDS Prevention and Control in the Workplace*
- *Breastfeeding in the Workplace*

(b) Show data relating to health, safety and welfare of its employees.

Annual Check-up programs for employees – bankwide approx. 4,000 employees

In-house program thru Annual PE Allowance – 175 utilization

Immunization/vaccination program for employees and dependents – 997 employees and dependents

Regular Exercise Programs – 20 to 40 participants per sessions

Continuing education program on health and wellness

Regular booth sampling (medicines) – participated by around 300-700 employees

(c) State the company's training and development programmes for its employees. Show the data.

Training	Company Name
<i>AML: Covered & Suspicious Transactions</i>	<i>China Banking Corporation</i>
<i>AML of 2001-Circular 706 (2011 Update)</i>	<i>China Banking Corporation</i>
<i>Anti-Money Laundering Act of 2001</i>	<i>China Banking Corporation</i>
<i>ATM Operations Course</i>	<i>China Banking Corporation</i>
<i>Bank Accounting For Non Accountants</i>	<i>China Banking Corporation</i>
<i>Bank Marketing and Salesmanship</i>	<i>China Banking Corporation</i>
<i>Bank Security Seminar</i>	<i>China Banking Corporation</i>
<i>Bankway Browser Tellerling Sys Training</i>	<i>China Banking Corporation</i>
<i>Basic Chinese Course</i>	<i>China Banking Corporation</i>
<i>Basic Chinese Speech</i>	<i>China Banking Corporation</i>
<i>Basic Credit Course</i>	<i>China Banking Corporation</i>
<i>Basic Tellerling Course</i>	<i>China Banking Corporation</i>
<i>Branch Lending Operations Course</i>	<i>China Banking Corporation</i>
<i>Branch Operations Course</i>	<i>China Banking Corporation</i>
<i>Briefing on New Generation Phil Notes</i>	<i>China Banking Corporation</i>
<i>Briefing on Whistleblowing Policy</i>	<i>China Banking Corporation</i>
<i>Building Customer Loyalty</i>	<i>China Banking Corporation</i>
<i>Building Partnerships Through Great Cust</i>	<i>China Banking Corporation</i>
<i>Business Process Management Briefing</i>	<i>China Banking Corporation</i>
<i>Career Planning Workshop</i>	<i>China Banking Corporation</i>
<i>Check Security Features</i>	<i>China Banking Corporation</i>
<i>Clearing & Accounting Operations Course</i>	<i>China Banking Corporation</i>
<i>Coaching and Counseling in the Workplace</i>	<i>China Banking Corporation</i>
<i>Coaching and Counseling Workshop</i>	<i>China Banking Corporation</i>
<i>Counterfeit Detection Workshop</i>	<i>China Banking Corporation</i>
<i>Credit Enhancement Seminar</i>	<i>China Banking Corporation</i>
<i>Customer Relations Assistants' Course</i>	<i>China Banking Corporation</i>
<i>Effective Business Writing Course</i>	<i>China Banking Corporation</i>
<i>Effective Presentation Skills</i>	<i>China Banking Corporation</i>
<i>EnRich Risk and Wealth Program</i>	<i>China Banking Corporation</i>
<i>Estate Planning</i>	<i>China Banking Corporation</i>
<i>Euro Deposit Products Training</i>	<i>China Banking Corporation</i>
<i>Financial Management</i>	<i>China Banking Corporation</i>
<i>Financial Statement Analysis Workshop</i>	<i>China Banking Corporation</i>
<i>Handling Customer Complaints Workshop</i>	<i>China Banking Corporation</i>
<i>ID Verification Seminar</i>	<i>China Banking Corporation</i>
<i>Info Classification & Handling Guideline</i>	<i>China Banking Corporation</i>
<i>Integrated Supervisory Development Program</i>	<i>China Banking Corporation</i>

Training	Company Name
<i>Intermediate Chinese Speech</i>	<i>China Banking Corporation</i>
<i>Intermediate Credit Course</i>	<i>China Banking Corporation</i>
<i>Investment & FCDU Seminar</i>	<i>China Banking Corporation</i>
<i>Leader Fish</i>	<i>China Banking Corporation</i>
<i>Learning Communities: Creating Innovation</i>	<i>China Banking Corporation</i>
<i>Learning Session on Marketing & Sales</i>	<i>China Banking Corporation</i>
<i>Loan Documentation Seminar</i>	<i>China Banking Corporation</i>
<i>Managing Generation Y Workforce</i>	<i>China Banking Corporation</i>
<i>Negotiable Instruments Law & LANAF</i>	<i>China Banking Corporation</i>
<i>Negotiation Skills</i>	<i>China Banking Corporation</i>
<i>New Employees' Orientation Course</i>	<i>China Banking Corporation</i>
<i>Officers Development Program</i>	<i>China Banking Corporation</i>
<i>Officers' Development Program</i>	<i>China Banking Corporation</i>
<i>Org Analysis & Job Design Workshop</i>	<i>China Banking Corporation</i>
<i>Orientation for New Officers</i>	<i>China Banking Corporation</i>
<i>Positive Discipline Workshop</i>	<i>China Banking Corporation</i>
<i>Problem Solving and Decision Making</i>	<i>China Banking Corporation</i>
<i>Product Knowledge Orientation</i>	<i>China Banking Corporation</i>
<i>Professional Image Enhancement Workshop</i>	<i>China Banking Corporation</i>
<i>Prospecting Workshop</i>	<i>China Banking Corporation</i>
<i>REIT 2009 Implementing Rules/Regulations</i>	<i>China Banking Corporation</i>
<i>Salesmanship Course</i>	<i>China Banking Corporation</i>
<i>SEC FIXED INCOME SALESMAN REVIEW</i>	<i>China Banking Corporation</i>
<i>Service Quality Management Workshop</i>	<i>China Banking Corporation</i>
<i>Service Star Workshop</i>	<i>China Banking Corporation</i>
<i>Seven Habits Experience</i>	<i>China Banking Corporation</i>
<i>Signature Verification Course</i>	<i>China Banking Corporation</i>
<i>Team Building</i>	<i>China Banking Corporation</i>
<i>Values Enhancement & Work Attitude</i>	<i>China Banking Corporation</i>

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

China Bank has a noncontributory defined benefit retirement plan.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of 31 December 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corporation (Non-Filipino)</i>	<u>433, 364, 846</u>	<u>25. 248%</u>	<i>Various Stockholders/Clients</i>
<i>SM Investments Corporation</i>	<u>295, 267, 293</u>	<u>17. 203%</u>	<i>Sy Family PCD Nominee Corporation Stockholders</i>
<i>Sysmart Corporation</i>	<u>254, 290, 183</u>	<u>14. 815%</u>	<i>Henry Sy, Sr. and Family Sycamore Pacific Corporation Stockholders</i>
<i>PCD Nominee Corporation (Filipino)</i>	<u>201,551 664</u>	<u>11.743%</u>	<i>Various Stockholders/Clients</i>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Nancy D. Yang, SVP</i>	<i>1,940,602</i>	<i>None</i>	<i>0.1131%</i>
<i>Rene J. Sarmiento, SVP</i>	<i>16,942</i>	<i>None</i>	<i>0.0010%</i>
<i>Gerald T. Dee</i>	<i>5,026</i>	<i>None</i>	<i>0.0003</i>
<i>Rosemarie Gan</i>	<i>83,131</i>	<i>None</i>	<i>0.0048%</i>
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee*	Non-audit Fee
<i>SGV & Co./Ernst & Young</i>	<i>For 2013 – P1,860,000.00</i>	
<i>SGV & Co./Ernst & Young</i>	<i>For 2014 – 2,046,000.00</i>	

**and other related fees.*

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Telephone

Intranet through Lotus Notes

Inter-office Memorandum

Fax Machines

Mobile Phones (for Whistleblowing)

5) Date of release of audited financial report: *March 5, 2014*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT** *(as of December 2014*)*

Name of Counterparty	Type of Transaction ¹	Amount/Contract Price
St. Luke's Medical Center, Inc. (SLM)/St. Luke's Medical Center (Global City), Inc. (Related Party)	Renewal of import/domestic L/C Line and increase thereof	US \$ 2.0 Mn
JJACCIS Development Corp. (JDC) (Related Party)	Renewal and increase in the Omnibus Line.	P 500.0 Mn
Suntree Holdings Corp. (SHC) (Related Party)		
St. Luke's Medical Center (Global City), Inc. (SLM)/ St. Luke's Medical Center (Global City), Inc. (SLG) (Related Party)	Review of Corporate buyers limit.	P 50.0 Mn
SM Investments Corporation and its subsidiaries: (Related Parties)	Review of Corporate buyers limit	P 1.0 Bn
SM Retail Inc. & its subsidiaries (Supervalue, Inc., Sanford Marketing Corp., Super Shopping Market, Inc., SM Mart, Inc.		
SM Prime, Inc & its subsidiaries (SM Land, Inc., SM Development Corp., SM Synergy Property Holdings, Corp., SM Residences, Inc.)		
BDO Unibank & its subsidiaries		
SM Hotels & Conventions Corp. & its subsidiaries		
Kultura Filipino		
Watson's Personal Care Stores Philippines, Inc.		
Quantum Amusement Corp. (Related Party)	Omnibus Line (30 days extension)	P 72.950 Mn
China Bank Savings, Inc. (Subsidiary)	Treasury Interbank limit	P 627.192 Mn
	Renewal of Import Letter of Credit	US \$ 10.00 Mn
Planters Development Bank (PDB)	Treasury Interbank limits	P 1,029.06 Mn

¹ These shall include on-balance sheet and off-balances sheet credit exposures and claims, as well as, dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions and borrowings, among

(Subsidiary)	Omnibus Line	P 100.0 Mn
SM Investments Corporation (Stockholder)	Underwriting for the upcoming 7-year and 10-year retail bonds	P 10.0 Bn
Manufacturer's Life Insurance Co. (Phil.), Inc. Manulife ChinaBank Life Assurance Corporation (Affiliate)	Renewal of pre-settlement risk limit	Pre-settlement Risk Line Php 200.0 Mn USD 400,000.00
Henry Sy, Sr. (Stockholder)	Renewal of loan line	P 300.0 Mn
SM Investments Corporation (Stockholder) Multi Realty Development Corp. (Related Party) Sybase Equity Investments Corp. (Related Party)	Renewal / reinstatement of loan line	P 15.5 Bn
Sysmart Corporation (Related Party)	Renewal of loan	P 5.0 Bn
SM Prime Holdings, Inc. Costa Del Hamilo, Inc. (Related Party) SM Hotels and Conventions Corp. (Related Party)	Renewal of line	Loan Line P 1.0 Bn BP line P 100.0 Mn
Summerhills Home Development Corp. (Related Party)	Renewal of loan line	P 500.0 Mn
SM Development Corporation (Related Party)	Renewal of loan line	P 200.0 Mn
	Grant of Bills Purchase line	P 50.0 Mn
SM Development Corporation, and the following: SM Synergy Properties Holdings Corp. Twenty Two Forty One Properties, Inc. Costa Del Hamilo, Inc. Intercontinental Development Corp. (Related Parties)	Contract to sell purchase facility	P 9.50 Bn
SM Prime Holdings, Inc. (Related Party)	Underwriting for the up-coming 5.5- year, 7-year, and 10-year retail bonds.	P 15.0 Bn
Super Industrial Corporation (Related Party)	Loan Transaction	P 50.0 Mn
Manuel Bautista Sy	Loan line	P 50.0 Mn
Union Motor Corporation (Related Party)	Renewal of omnibus line	P 150.0 Mn
BDO Unibank, Inc. (Related Party)	Interbank Term limits	USD 4,579.510 Mn
Rizal Commercial Banking Corporation (Related Party)	Interbank Term limits	USD 2,853.860 Mn
BDO Private Bank (Related Party)	Pre-settlement risk limits – Peso IRS	USD 3.0 Mn
	Pre-settlement risk limits – USD IRS	USD 3.0 Mn
	Pre-settlement risk limits – Cross Currency	USD 3.0 Mn
	Settlement limit – Peso IRS	USD 4.0 Mn
	Settlement limit – USD IRS	USD 4.0 Mn

**Subject to the ratification by the Stockholders in the 2015 Annual Stockholders.*

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.

Related party refers to any of the Bank's directors, officers, stockholders and their related interests (DOSRI). Related interests mean individuals related to each other or common law,

and two or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.

Prior to Board approval, the Audit Committee reviews all related party transactions. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	<i>In accordance with Article III, Section 6 of the Bank's By-Laws, no meeting of stockholders shall be competent to transact business unless a majority of the outstanding capital stock is represented.</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>The Bank follows the provisions of the Corporation Code.</i>
Description	<i>The majority vote of the shares present or represented at the stockholders' meeting, provided there is a quorum, is required to carry a stockholders' action on any matter taken up during the meeting, except in cases where greater vote for an act or business is required by the Corporation Code or by law.</i>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<p><i>The Board China Bank is committed to respect the following rights of the stockholders (as provided for in the Corporation Code:</i></p> <p>1. Voting Rights, which are, right to elect, remove and replace directors through cumulative voting; to vote on corporate acts. In this regard, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> <p>2. Pre-emptive Right, unless denied in the articles of incorporation, which includes the right to subscribed to the capital stock of the Bank.</p> <p>3. Power to inspect corporate books and records including minutes of Board meetings and stock registries. Without cost or restrictions, they also have the</p>	<p><i>1. The Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors, allowing shareholders to nominate within a period of time before the stockholders' meeting. For 2013 elections, the rules pertinently stated that the nomination forms should be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2013. The rules were approved by the Board of the Directors on February 6, 2013, and disclosed to the regulatory agencies immediately thereafter. The stockholders' meeting was held on May 2, 2013 .</i></p> <p><i>2. The Bank has been consistently declaring both cash <u>and</u> stock dividends to its shareholders for the last ten (10) years.</i></p>

<p><i>right to be furnished with annual reports and financial statements.</i></p> <p>4. Right to information and periodic reports, upon request, about the personal and professional information of the directors and officers, their holdings of the Bank's shares and dealings, relationships among directors and key officers, including their compensation</p> <p><i>Minority shareholders have the right to any and all information relating to matters for which the management is accountable for; have the right to propose the holding of a meeting and to propose items in the agenda, as long as they are for legitimate business purposes.</i></p> <p>5. Right to receive dividends.</p> <p><i>Shareholders shall have the right to receive dividends subject to the discretion of the Board.</i></p> <p>6. Appraisal Right or right to dissent and demand payment of the fair value of their shares in accordance with the existing law like the Corporation Code of the Philippines.</p>	
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Dividends

Declaration Date	Record Date	Payment Date
May 8, 2014	Not applicable	Not applicable

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	3. Communication Procedure
<p><i>The Bank encourages its stockholders to attend and participate in the annual or special stockholders' meeting. Starting with the process of notifying the stockholders of the meeting, the Bank mails the Information Statement (SEC Form 20-IS), which provides the particulars of the meeting, to the stockholders at least fifteen (15) business days prior to the stockholders' meeting. A copy of the same is disclosed to the</i></p>	<p><i>During the meeting, the Chairman of the Board/Chairman of the Meeting constantly asks the stockholders for other matters or concerns that they may want to raise, whether or not related to the agenda of the meeting.</i></p> <p>5. <i>The stockholders and other interested parties may communicate with the Board or any of its members, through the Office of the Corporate Secretary or Investor</i></p>

<p><i>Philippine Stock Exchange (PSE) and accessible through the Bank's website at www.chinabank.ph. In addition, it has been the practice of the Bank to publish a Notice of Meeting, with the agenda of the meeting, in a newspaper of national circulation at least thirty (30) days before the meeting. Also, stockholders who visit or call the Bank are reminded of the meeting.</i></p> <p>4.</p>	<p><i>Relations Office, any time in person or through letter, email, landline phone or mobile phone</i></p>
6.	7.

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
 - Authorization of additional shares
 - Transfer of all or substantially all assets, which in effect results in the sale of the company

Significant corporate actions which require stockholder action are initially approved by the Board of Directors. The Board action is immediately disclosed and becomes accessible to the stockholders through the PSE and Bank website. Further, the corporate action is included in the agenda and materials distributed to the stockholders before the meeting. The stockholders may freely raise their comments on the corporate action on or prior to the stockholders' meeting.

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

- Date of sending out notices: April 4 and 7, 2014
- Date of the Annual/Special Stockholders' Meeting: May 8, 2014

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

- *Mr. Philip Turner next put forth the observation that the Bank has a large number of substandard loans; he urged the Bank to look into its collection procedures.*

Chairman Hans Sy clarified that the non-performing loans are not necessarily past due accounts, but refer to loans which have been classified as such based on regulations of the Bangko Sentral ng Pilipinas (BSP). Mr. Escucha added that the non-performing loans (NPL) have gone down substantially as a percentage of total loans, the NPL ratio has been reduced to 1.99%, and the loan loss coverage ratio has improved to around 150%, better than industry figures.

- *Mr. Philip Turner stated that while he understands the reason for the waiver of pre-emptive rights, he asked why the Bank cannot increase its foreign ownership limit to as high as 100%.*

Atty. Corazon Morando, Corporate Secretary, explained that the banking laws allow for a 60:40 ratio of Filipino and foreign shareholdings, respectively. In addition, Mr. Escucha mentioned that a 100% limit is allowed for branches of a foreign bank; however, the Philippine Constitution and the Manual of Regulations for Banks only allow for a 40% foreign ownership limit.

- *Mr. Ellis Maguan clarified whether the waiver of pre-emptive rights would mean that the existing stockholders of the Bank will no longer be able to subscribe to Bank shares in the event of another stock rights offering.*

The Corporate Secretary, Atty. Morando, first provided the stockholders with the reasons for the waiver of the pre-emptive rights, namely, in order to conform with the general practice of Philippine banks, to enable the Bank to broaden its investor base, and to provide flexibility in sourcing funds for the Bank.

Then, Director Jose T. Sio, who was recently chosen as Best CFO (Philippines) by Alpha Southeast Asia 2013 in Hongkong, emphasized that China Bank is the only bank among the top banks in the Philippines which has no waiver of pre-emptive right. Because of this, the opportunity for raising funds—is very limited. With the waiver, the Bank will be given flexibility in fund sourcing, and opportunity to broaden its shareholder base and make its shares more liquid. Director Sio further explained that the waiver does not mean that the stockholders of the Bank can no longer subscribe; the stockholders may still be able to subscribe together with the public, through Board approval.

For Investor Relations Head Alexander Escucha, the vote for the waiver of pre-emptive right was tantamount to a vote of confidence for the Bank's Board of Directors that the protection of minority interest has been taken into serious account. As the waiver balances the interest of the Bank vis-à-vis the interest of the stockholders, the Bank is not necessarily precluded from offering the shares to existing stockholders before they are offered to the public.

- Mr. Alfredo Catapang wanted to clarify whether the shares resulting from the stock rights offering will be covered by the stock dividends.

Chairman Hans Sy answered in the affirmative.

- Mr. Guillermo Gili, Jr. next asked about any plans of merger between China Bank and BDO Unibank, and the surviving entity in such event.

Chairman Sy responded that he was not sure what answer the stockholders wanted to hear, but he informed them that there is no such plan.

- Mr. Robert Chua Go wondered how the ASEAN integration will affect the Bank.

Mr. Escucha opined that banks generally see no threat because of the restrictions in our domestic laws and regulations. However, tighter competition is seen in trade and manufacturing sectors; the Bank will closely monitor these sectors.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
Out of 1,427,661,658 total subscribed and outstanding shares of the Bank, the holders of 1,091,132,239 shares representing 76.43% or more than 2/3 of the outstanding capital stock of the Bank are present either in person or by proxy.	Votes Cast:		
▪ Reading of the minutes of the annual stockholders' held on May 2, 2013.	1,091,090,648	Against: 41,591	None
▪ 2013 Annual Report and Financial Statements	Annual Report 1,091,132,239 Financial Statement 1,090,867,365	None None	None 264,874

<p>▪ <i>All Acts of the Board of Directors, which include the approval for the acquisition by the Bank of Planters Development Bank, approval of related party transactions, and all acts of the Executive Committee and of the various committees of the Bank and Management, during the fiscal year 2013 and immediate preceding the stockholders' meeting:</i></p>	1,091,132,239	None	None
<p>▪ <i>Election of the board</i></p>	1,091,132,239	None	None
<p>▪ <i>Re-election of the external auditor</i></p>	1,091,105,289	None	26,950
<p>▪ <i>Amendments to Articles Ninth, Sixth (A) and Sixth (B) of the Bank's Articles of Incorporation and Articles I and XI, Section 2, of the By-Laws</i></p> <p><i>Article Ninth of the Articles of Incorporation and Article I of the By-Laws, to specify the complete principal address of the Bank:</i></p> <p><i>Article Sixth (a) of the Articles of Incorporation, to include the waiver of pre-emptive rights of stockholders:</i></p> <p><i>Article Sixth (b) of the Articles of Incorporation and Article XI, Section 2, second paragraph of the By-Laws, to revise the limits of Filipino and foreign shareholdings in the Bank to 60% and 40%, respectively:</i></p>	<p>1,091,132,239</p> <p>1,090,958,221</p> <p>1,091,108,072</p>	<p>None</p> <p>900</p> <p>None</p>	<p>None</p> <p>173,118</p> <p>24,167</p>

<p>▪ Declaration of 10% cash dividends, and 8% stock dividends to cover the minimum subscription and payment on the increase in capital stock to P25.0 Billion, amending Article Sixth (a) of the Bank's Articles of Incorporation for the purpose:</p> <p>Further amendment Article Sixth (a) of the Articles of Incorporation, to increase capital stock from P20.0 Billion to P25.0 Billion:</p> <p>Declaration of 10% cash dividends, and of 8% stock dividends to cover the required minimum subscription and payment on the increase in capital stock:</p>	1,086,447,210	4,685,029	None
	1,086,447,210	4,685,029	None
16.	17.	18.	19.
20.	21.	22.	23.

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

May 9, 2014

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	None

(f) Stockholders' Attendance

(i) Details of Attendance in the 2014 Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	All directors except Director R. Chua, and majority of senior officers	May 8, 2014	By poll	0.989%	75.439%	76.43%
Special	None	None	None	None	None	None

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, SyCip Gorres Velayo & Co. has been appointed as the independent party to count and validate votes at the meeting. Further, the Bank's transfer agent, Stock Transfer Service, Inc., assists in counting and validating the votes during the meeting.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>Not encouraged, but accepted</i>
Notary	<i>Not required</i>
Submission of Proxy	<i>At least three (3) business days before the meeting</i>
Several Proxies	<i>Allowed</i>
Validity of Proxy	<i>Five (5) years unless otherwise stated, withdrawn or superseded by the personal appearance of stockholder</i>
Proxies executed abroad	<i>Allowed</i>

	Company's Policies
Invalidated Proxy	<i>None</i>
Validation of Proxy	<i>Through the Office of the Corporate Secretary</i>
Violation of Proxy	<i>None</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<i>The notices must be sent to the stockholders not less than fifteen (15) business days prior to the meeting, in accordance with the By-Laws.</i>	<i>The notices must be sent to the stockholders not less than fifteen (15) business days prior to the meeting, in accordance with the By-Laws.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>1,997</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>April 4 and 7, 2014</i>

Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>April 4 and 7, 2014</i>
State whether CD format or hard copies were distributed	<i>Hard copies</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<i>Yes</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes</i>
The auditors to be appointed or re-appointed.	<i>Yes</i>
An explanation of the dividend policy, if any dividend is to be declared.	<i>Yes</i>
The amount payable for final dividends.	<i>Yes</i>
Documents required for proxy vote.	<i>Yes</i>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p><i>The Bank adheres to the provisions under the Corporation Code in recognizing, implementing and protecting the rights of the stockholders, regardless of the amount of stockholdings.</i></p> <p><i>Investors' Rights and Protection (as contained in the Bank's Manual on Corporate Governance)</i></p> <p><i>Rights of Investors/Minority Interests. The Board shall be committed to respect the following rights of the stockholders:</i></p> <ol style="list-style-type: none"> <i>1. Voting Right</i> <i>2. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</i> <i>3. Cumulative voting shall be used in the election of directors.</i> <i>4. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</i> 	<p><i>The Bank adheres to the provisions under the Corporation Code in recognizing, implementing and protecting the rights of the stockholders, without qualification.</i></p>

- (b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. In accordance with the Bank's Corporate Governance Manual, minority shareholders have the right to elect, remove and replace directors and vote on certain corporate acts, which are in accordance with the Corporation Code.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Corporate affairs-related communications are usually handled and/or screened by the Marketing Services Department of the Bank (under Corporate Planning Division), but there are also proprietary internal and external announcements that are carried out by certain groups or divisions. Internal announcements are primarily sent and broadcasted using the Bank's lotus notes. A range of channels/ mediums are used to disseminate major company announcements to its various stakeholders, such as, but not limited to the following: Corporate Notices via print advertisement in broadsheets, press releases, monthly statements, customer advisory standees, corporate website, flyers, posters, streamers.

Major company announcements are generally discussed, reviewed and approved by the Management Committee of the Bank.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<i>Provide timely/accurate financial data & analysis to credit rating agencies and interested parties that project China Bank in best possible light.</i>
(2) Principles	<p><i>i) Investor relations shall cover the timely and accurate response to requests for corporate information from stakeholders, investors, credit rating agencies, correspondent banks, and other constituencies and the compliance with regulatory reporting requirements of the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP) and Philippine Stock Exchange (PSE).</i></p> <p><i>ii) This shall involve extensive analyses and anticipation of information needs, with focus on timely issues such as asset quality, profitability or capital adequacy with the objective of presenting the Bank's performance and competitive advantages in an objective, transparent, and concise manner. The disclosure statement shall be a key input to credit-related investment decisions by third parties.</i></p>
(3) Modes of Communications	<p><i>Face to face discussions, e-mail or fax hard copies</i></p> <p><i>Email Address: investor-relations@chinabank.ph</i></p> <p><i>acescucha@chinabank.ph</i></p> <p><i>Fax Number: (632) 892-0238</i></p>
(4) Investors Relations Officer	<p><i>Alexander C. Escucha,</i></p> <p><i>Senior Vice President and Investor Relations Officer</i></p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p><i>Dee C. Chuan & GUD Scholarships</i></p> <p><i>It is our continuing commitment to provide educational assistance to promising children. We have two scholarship programs, the G.U.D Scholarship Fund, named after Board Vice Chairman Gilbert U. Dee, and the D.C.C. Scholarship Fund, named after one of our founding fathers, Dee C. Chuan.</i></p>	<p><i>Deserving children of China Bank employees</i></p>
<p><i>In addition to our charitable endowments and commitments to the environment, we are expanding our nationwide footprint and improving our service delivery channels to provide financial access to more people, with the aim of bringing into the mainstream economy those who are not in the realm of financial services. Through our savings bank subsidiary China Bank Savings (CBS), we continue to explore new ways of increasing financial inclusion. In July 2013, CBS began opening mini branches in Savemore outlets in Metro Manila, tapping the un-banked and underserved sectors and making it easy for them to start banking relationships with low—even zero—initial deposit accounts and micro financing. Open daily and designed in look and in processes to be very accommodating to first time bank customers, CBS mini branches serve a wide range of clients: from maids, cigarette vendors, tricycle drivers—people who would otherwise be intimidated transacting in a traditional bank branch—to students, housewives, and professionals. CBS mini branches, now numbering ten, have close to 5,000 accounts. 30% of the mini branches' customer profile belongs to the D & E socio-economic class. 15 more CBS mini branches in Savemore as well as SM Hypermart outlets will be opened within the year. We also continue to support small- and medium-scale enterprises (SMEs). To accelerate our SME strategy, we acquired two banks under the Bangko Sentral ng Pilipinas' (BSP) Strengthening Program for Rural Banks (SPRB) Plus: Pampanga-based rural bank Unity Bank in November 2012, merged with CBS in 2013, and Planters Development Bank (Plantersbank) in September 2013, financial close on January 25, 2014. The acquisition of Plantersbank, the country's largest private development bank and leading bank for SMEs, bolsters our current strategy in two areas—growing our middle market/SME portfolio and our network expansion program. We are moving forward, making full use of our common strengths and harnessing the synergies to achieve cost efficiencies and ensure the continued development of broad-based access to financial products and solutions for SMEs.</i></p>	<p><i>Un-banked and underserved sectors and making it easy for them to start banking relationships.</i></p> <p><i>People who would otherwise be intimidated transacting in a traditional bank branch.</i></p> <p><i>Small and Medium scale enterprises.</i></p>

<p>Society's expectations and the interests of future generations are crucial to China Bank's financing decisions. Beyond the numbers, we take into consideration the environmental, social, and governance risks involved in supporting certain businesses and industries. Our partnership with IFC, a member of the World Bank Group, for technical assistance and advisory services under IFC's Sustainable Energy Finance (SEF) Program, enables us to identify potential renewable energy and clean development projects, analyze the project risks, and package viable financial structures to promote sustainability and improve business bottom lines. In 2013, China Bank helped finance a number of energy projects that have adopted "clean coal technology" to produce power in an economical and environmentally responsible manner. These include the 300-megawatt capacity expansion of the coal-fired power plants of Semirara Mining Corp. subsidiary Southwest Luzon Power Generation Corp. in Calaca, Batangas; the construction of Global Business Power Corp. subsidiary Toledo Power Corp.'s 82-megawatt coal-fired power plant in Toledo City, Cebu; the construction and operation of Aboitiz Power Corp. subsidiary Therma South, Inc.'s two 150-megawatt circulating fluidized-bed (CFB) electric power generation facility in Davao City and Davao del Sur, which once operational by 2015 will be the largest coal-fed power plant in Mindanao; and the construction and operation of one of the most advanced and most fuel-efficient plants in the Visayas, a 135-megawatt CFB power plant project in Concepcion, Iloilo, expected to be operational by mid-2016.</p>	<p>The community, in general, in helping to mitigate negative effects to the environment.</p>
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M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<p>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the <u>Board</u>—the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</p> <p>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</p>	<p><i>Rating Description</i> 0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance 1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made yet been made 2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness 4 Good - Leading practice or principle</p>

	<p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i></p>	<p><i>is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i></p> <p><i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>
Board Committees	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board— the individual members, <u>the committees</u>, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</i></p> <p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i></p>	<p><i>0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance</i></p> <p><i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</i></p> <p><i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i></p> <p><i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i></p> <p><i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>
Individual Directors	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board— the <u>individual members</u>, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self-assessment of their performance in 2012. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies</i></p>	<p><i>0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance</i></p> <p><i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</i></p> <p><i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i></p> <p><i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i></p>

	<p>areas for improvement.</p> <p>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</p>	<p>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</p>
CEO/President	<p>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board— the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</p> <p>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</p> <p>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</p>	<p>0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance</p> <p>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</p> <p>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</p> <p>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</p> <p>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</p>

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Bellow is the internal policy on sanctions imposed for any violation of the corporate governance manual

- “1. Strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Bank's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- 1.1 In case of **first violation**, the subject person shall be reprimanded.

- 1.2 *Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.*
- 1.3 ***For third violation**, the maximum penalty of removal from office shall be imposed.*
2. *The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.*
3. *The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.*

Violations	Sanctions
<i>None</i>	<i>None</i>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 01 April 2015.

SIGNATURES



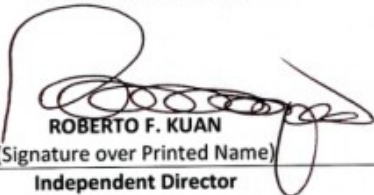
(Signature over Printed Name)

Chairman of the Board



(Signature over Printed Name)

President & Chief Executive Officer



(Signature over Printed Name)

Independent Director



(Signature over Printed Name)

Independent Director



ATTY. MARISSA B. ESPINO

(Signature over Printed Name)

Chief Compliance Officer

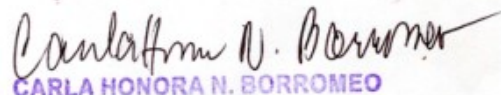
APR 07 2015

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2015, affiant(s) exhibiting to me their Identification Documents, as follows:

NAME

ID NO.

Hans T. Sy	-	Passport No. EB-4448660 issued on 14 January 2012.
Ricardo R. Chua	-	SSS ID No. 03-2416389-8.
Alberto S. Yao	-	SSS ID No. 03-1301449-2
Robert F. Kuan	-	Passport No. EC0637710 issued in Manila valid until May 20, 2019
Marissa B. Espino	-	Passport No. EB4316316 issued on 22 December 2011 to expire on 23 December 2016.



CARLA HONORA N. BORRONEO

Notary Public for Makati City

Appr. No. M152 until 31 December 2015

4/F Philcom Building,

8755 Paseo de Roxas, Makati City

PTR No. 4750958; 01.05.15; Makati City

IBP No. 945831 ; 12.12.13; Sorsogon City

Roll of Attorney's No. 37390

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